

A
COMPLETE ANALYSIS
OR
ABRIDGEMENT
OF
DR. ADAM SMITH'S
INQUIRY INTO THE
NATURE AND CAUSES
OF THE
WEALTH OF NATIONS.

BY JEREMIAH JOYCE.

Juvat exhaustos iterare labores.

Cambridge;

PRINTED BY BENJAMIN FLOWER:

FOR J. DEIGHTON, AND J. NICHOLSON; ALSO FOR G. G.
AND J. ROBINSON, W. H. LUNN, AND T. CONDER,
LONDON; AND J. MARCH, NORWICH.

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THE Editor conceives that it is unnecessary to offer
any apology for laying before the public an Analysis
or Abridgement of a work so universally and justly cele-
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PHILIP HENRY VISCOUNT MAHON,

THIS ANALYSIS

IS AFFECTIONATELY INSCRIBED

BY THE

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The Editor has to apologize for some defects and
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Edinburgh, June 20, 1797.

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THE Editor conceives that it is unnecessary to offer any apology for laying before the public an Analysis or Abridgement of a work so universally and justly celebrated as "*The Inquiry into the nature and causes of the Wealth of Nations.*"

Without attempting to justify every principle contained in the "*Inquiry*," it certainly merits the following eulogium passed upon it by one of Dr. ADAM SMITH'S biographers:—"The variety, importance, and novelty of the information which it contains; the skill and comprehensiveness of mind displayed in the arrangement; the admirable illustrations with which it abounds; together with the plainness and perspicuity which make it intelligible to all—render it unquestionably the most perfect work which has yet appeared on the general principles of any branch of legislation."

To those, then, who are engaged in the pursuit of political science, this compendium, if properly executed cannot fail of being highly useful. It will also be found convenient as a text book in those institutions of liberal education, in which the "*Wealth of Nations*" makes an essential branch of their lectures.

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Chevening, June 20, 1797.

INTRODUCTION

AND

PLAN OF THE WORK.

THE labour of every nation is the fund which originally supplies it with all the necessaries, and conveniences which it consumes, and which consist either in the immediate *produce* of that labour, or in what is purchased with that produce from other nations. P. 1.

The nation will be supplied with its necessaries, according to the *proportion* which this *produce* bears, to the number of its inhabitants; which proportion is regulated; (1.) By the skill and judgment with which its labour is applied. (2.) By the proportion between the number of those who are employed in *useful* labour, and of those who are *not* so employed. P. 2.

Upon the *former* of these the abundance, or scantiness of this *supply* seems principally to depend. For among *savage* nations of hunters and fishers, where *all* labour there is the greatest want. Whereas in civilised states though *multitudes* do not labour, *all* are often abundantly supplied.

The causes of this improvement in the productive powers of labour, and the order according to which its produce is distributed, make the subject of the first book

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of

of this inquiry; and it will appear that the number of useful labourers, is, every where in proportion to the quantity of capital stock employed in setting them to work, and to the manner in which it is so employed. P. 3.

The second book treats of the nature of capital stock; of the manner in which it is accumulated; and of the quantity of labour which it puts into motion.

Different nations have followed different plans in the *direction* of labour, of which *all* have *not* been equally favourable to the *greatness* of its produce. P. 3.

Some have encouraged the industry of the *country*;—*others* that of *towns*. P. 4.

The policy of Europe has leaned to *commerce* and *manufactures*, more than to *agriculture*. The circumstances which seem to have introduced, and established this policy, are explained in the third book. This policy has given occasion to very different theories of political œconomy, which, with their effects, will be explained in the fourth book.

From these *four* books it will appear in what has consisted the revenue of the great body of the people. The *fifth* will treat of the revenue of the sovereign or commonwealth. In which will be seen, (1.) What are the necessary expences of the sovereign, and how they ought to be defrayed. (2.) The methods by which the *whole* society may be made to defray them: and, (3.) The reason and causes which have induced all modern governments to contract debts.

AN
INQUIRY INTO THE NATURE AND CAUSES

OF THE
WEALTH OF NATIONS.

BOOK I.

*Of the causes of improvement in the productive powers
of labour, and of the order according to which its pro-
duce is naturally distributed among the different ranks
of the people.*

CHAP. I.

Of the division of labour.

THE greatest improvement in the productive powers
of labour, and the greater part of the skill with
which it is any where directed, or applied, seem to have
been the effects of the division of labour; which effects,
in the business of Society, will be better understood by
considering how it operates in some particular manufac-
tures. P. 5.

It is commonly supposed that the *division of labour* is
carried *farthest* in some *trifling* manufactures, which

is probably an error founded upon this circumstance; that the number of workmen, in every branch of these manufactures, being small, may be collected in the same workhouse, and placed *at once* under the view of the spectator; whereas in those manufactures destined to supply the great wants of the people, we can seldom see *at once* more than those employed in one single branch. Therefore the division may be greater, and yet not so obvious. P. 6.

Example. A person unacquainted with the business of pin-making, could scarcely make a single pin a day; but by *dividing* the business into various branches, which are now distinct trades, each person may be considered as making 4800 pins in a day. P. 7. 8.

In every other manufacture the effects of the *division of labour* are *similar* to what they are in this, though they may not be reducible to so great simplicity: hence the increase of the productive powers of labour; the advantages of which, have caused the *separation* of different employments. This separation is carried farthest in countries most improved: what is the work of *one* man in a *rude state of society*, being, generally, that of *several* in an *improved* one. Hence the different trades in the woollen and linen manufactures, from the growers of the wool or flax, to the dressers of the cloth. P. 9.

Agriculture does not admit of so many subdivisions of labour as manufactures; the different sorts of labour, in the former returning with the *seasons*, no man can be constantly employed in any one of them, hence its unimproved state, in *all countries*, compared with manufactures. In agriculture, the labour of the *rich* country, is not always much more productive, than that of the *poor*. The corn of Poland is generally as good, and as cheap, as that of England, notwithstanding

ing the improved state of the latter. But in manufactures, Poland can pretend to no such competition. P. 11.

The increase in the quantity of work, which, in consequence of the division of labour, the same number of people are capable of performing, is owing to *three* different circumstances.

(1.) To the increase of dexterity in every particular workman; by reducing every man's business to one simple operation, and by making this operation the sole employment of his life. A common smith, unaccustomed to making of nails, cannot make more than two or three hundred nails a day, whereas lads, under twenty years of age, who never exercised any other trade but that of making nails, can make 2300 nails in a day. Neither is this one of the simplest operations, and of course not one where the dexterity of the workman is the greatest. P. 12.

(2.) To the saving of the time which is commonly lost in passing from one species of work to another. It is impossible to pass *very quickly* from one kind of work to another. A country weaver, who cultivates a small farm, must lose a deal of time in passing from the loom to the field. A man commonly faunters a little in turning his hand from one employment to another; and when he *first* begins the new work, it is seldom with spirit; hence the habit of *indolent careless* application acquired by every *country* workman, who is obliged to change his tools, and work, every half hour. P. 13.

(3.) Labour is much abridged by the application of proper machinery. The invention of those machines, by which labour is so much facilitated, and abridged, seems to have been owing to the *division of labour*: For men are likely to discover the readier methods of attaining any object, when their whole attention is directed towards that single object. It is natural also, that out of
many

many workmen employed in each branch of labour, some one or other should find the readiest method of performing their own particular work. It is a fact, that a great part of the machines, used in those manufactures, in which labour is most subdivided, were the inventions of common workmen. In steam engines, one of the greatest improvements was discovered by a boy who wanted to *save* his labour. P. 14.

Many improvements in machinery have been made by the ingenuity of the makers of machines; and not a few by philosophers, or men of speculation; whose trade is *not to do any thing*, but *to observe every thing*. Philosophy, like other employments, is not only a trade, but is subdivided into several classes, which, as in every other business, improves dexterity, and saves time. P. 15.

It is the great multiplication of the productions of the different arts, in consequence of the division of labour, which occasions, in a well regulated society, that universal opulence which extends itself to the lowest ranks of the people. P. 16.

Observe the accommodation of the artificer, or day labourer in a civilized and thriving state, and you will perceive that the number of people employed in procuring him accommodation, exceeds all computation! What a variety of labour is necessary to produce the tools of the meanest workmen, the shears, for instance, with which the shepherd clips the wool! We might examine also his dress; or furniture. Reflect on the different hands employed in preparing his bread, and his beer, the glass, the window which lets in the light, and keeps out the wind and the rain; and it will appear, that without the assistance of *many thousands*, the very meanest person in a *civilized country*, could not be accommodated, in what is *falsely* called an easy and simple manner. P. 17—19.

CHAP.

CHAP. II.

Of the principle which gives occasion to the division of labour.

THIS *division of labour* from which so many advantages are derived is not the effect of *human wisdom*, but of a propensity in human nature to truck, barter, and exchange one thing for another. It is common to all men, and to be found in no other race of animals. When an animal wants to obtain any thing of man, it is by means of engaging his attention. Man *sometimes* uses the same arts, but he has not time to do this on every occasion. In civilized society, he stands in need of the assistance of multitudes at all times, while his whole life is scarce sufficient to gain the friendship of a *few persons*. Among other animals, each individual is independent; and, in a *natural state*, has occasion for the assistance of no other living creature. But *man* has constant occasion for the help of his brethren, and it is in vain to expect it from their *benevolence*; he must interest their self love. The case of a common beggar, is not altogether an exception to this rule. P. 19. 22.

This trucking disposition gives occasion to the division of labour. Among hunters, one person can make bows and arrows with more dexterity than others, which, from interest, he exchanges for cattle or venison. Hence he becomes a sort of armourer. Another excels in making huts, for which he is rewarded by his neighbours, and he finds it worth his while to dedicate his whole time to this employment. In like manner a third becomes a smith; and a fourth a tanner. The certainty of being able to exchange the produce of his labour, encourages every man to apply himself to a *particular* occupation. P. 22.

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The difference of natural talents in different men, is less than we suppose, and is not so much the cause, as the effect of the *division of labour*; it seems to arise not so much from nature, as from habit, and education. Without this disposition to barter, *all* must have had the *same duties* to perform, and there would have been no room for the exertion of *different* talents. This disposition forms the difference of talents, and renders the difference useful. P. 23.

Many tribes of animals, of the same species, derive from *nature*, a much more remarkable distinction of genius, than what takes place among men, and yet they are of no use to one another, for want of this disposition to barter or exchange. Among men the most dissimilar geniuses are of use to one another; the different produces of their respective talents, by exchange, being brought into common stock, where every man may purchase whatever part of the produce of other men's talents for which he has occasion. P. 25.

CHAP. III.

That the division of labour is limited by the extent of the market.

IT is the *power of exchanging* that gives occasion to the division of labour; therefore the extent of this division must always be limited by the extent of the market. P. 26.

Some sorts of industry can be carried on no where but in large towns. A porter for example. In small villages every farmer must be his own butcher, baker, and brewer. In such situations country workmen must
apply

apply themselves to many different branches of industry ; a carpenter deals in every sort of work made of wood ; a smith, in whatever is made of iron. P. 27.

Water carriage is more favourable to industry than land carriage ; the difference is very great in the distance between London and Edinburgh. But without the convenience of water carriage, it would be next to impossible to carry on any trade between very distant parts, as London and Calcutta. P. 28.

Hence then the first improvements in industry would be made where this conveniency opens the whole world for a market. The inland parts of a country can for a long time have no other market than the country that lies round them ; the extent of their market therefore must be in proportion to the riches and populousness of that country. In North America the plantations have constantly followed the sea coast, or the banks of navigable rivers. The nations first civilized were those round the Mediterranean sea, which is remarkable for the smoothness of its surface, and the number of its islands. It was long before the navigators attempted to pass the straits of Gibraltar. Of these nations Egypt seems to have been the first place cultivated and improved to a considerable degree, owing to the advantages of the Nile. P. 29—31.

Improvements in Bengal and China are of great antiquity ; in the former are the *Ganges*, and several other great rivers, and in the Eastern provinces of China there are a vast number of canals communicating with each other. Neither the Egyptians, Indians, nor Chinese encouraged foreign commerce, their opulence was derived from inland navigation. P. 31.

All the inland parts of Africa, the antient Scythia, and the modern Siberia have always been in a barbarous state, probably for want of navigation. Commerce

cannot be carried on to any great extent by means of a river which runs into another territory before it reaches the sea, hence the small importance of the Danube to the states of Bavaria, Austria, and Hungary. P. 32.

CHAP. IV.

Of the origin of money.

THE division of labour being established, only a small part of a man's wants can be supplied by himself; the greater part are supplied by exchanging the surplus part of the produce of his own labour, for the produce of other men's labour; thus every man becomes a merchant. At first this power of exchanging must have been clogged in its operations, for want of a proper medium of exchange. P. 33.

Many different commodities have been employed for the purpose, as *oxen* among the Greeks; *salt* in Abyssinia; *shells* in India; *dried cod* in Newfoundland; *tobacco* in Virginia; *sugar* in some of our West India colonies; and in a village in Scotland nails are made use of. P. 34.

Metals have at length been preferred almost every where; they are less perishable than other commodities; and can be divided into a number of parts, and reunited again without loss. P. 35. *Iron* was the common instrument of commerce among the Spartans; *copper* among the Romans; *gold* and *silver* among all rich and commercial nations. At first they were used in bars without any *stamp* or *coinage*; hence the trouble of *weighing* and *assaying*, which in gold are operations of great

great nicety. To facilitate exchanges, and to prevent abuses, improved countries have affixed a stamp upon certain quantities of particular metals; hence the origin of coined money, and of public mints. P. 36.

The first public stamps were to ascertain the fineness of the metal, as the present *sterling marks*. P. 38.

In England, the Saxon kings were paid in provisions, not in money. William the Conqueror introduced the custom of paying money, which was for a long time received by weight; the difficulty of which, gave occasion to coins stamped on both sides, and likewise on the edges. The denomination of these coins originally expressed the *weight*. The English *pound* contained a pound, Tower weight, of silver, of a known fineness; the French *livre*, contained in the time of Charlemagne, a pound of silver Troyes weight; the Scots *money pound* contained, from Alexander the first, to Robert Bruce, a pound of silver of the same weight and fineness with the English pound. English, French, and Scots pennies contained a real penny weight of silver, viz. the twentieth part of an ounce. P. 39. The proportion between the shilling and the penny, or the pound was not so constant as between the pound and the penny. P. 40.

In France, the *sou*, or shilling, appears to have contained at different times, 5, 12, 20, and 40 pennies. From the time of Charlemagne, in France, and from that of William the Conqueror in England, the *proportion* between the pound, shilling, and penny seems to have been uniform, though the *value* has been different, owing to the rapacity and injustice of sovereign princes. The English pound, and penny contain at present about a third only; the Scots about 1-36th, and the French about 1-66th part of their original value; by these means princes have been enabled to fulfil their engage-

ments with a smaller quantity of silver than would otherwise have been requisite; their creditors however have been defrauded. In this way money is an universal instrument of commerce. P. 41.

The word *value* expresses sometimes the utility of some *particular object*, and sometimes the power of purchasing other goods which the possession of that object conveys; the one may be called *value in use*, the other *value in exchange*. Some things of the greatest value in use, have scarcely any in exchange, as water. The value of others is only in exchange, as a diamond. I shall then, 1st, consider the real measure of this exchangeable value. 2dly, The component parts of the price of commodities; and, 3dly, The natural and market price of commodities. P. 42.

CHAP. V.

Of the real and nominal price of commodities, or of their price in labour, and their price in money.

EVERY man is rich or poor according to the degree in which he can afford to enjoy the necessaries of life; only a small part of which can be supplied by a man's own labour; the greater part must be derived from the labour of other people, and which he must purchase. P. 43.

X *The real price of every thing, is the toil and trouble of acquiring it. What is bought with money, is purchased by labour, as much as what we acquire by the toil of our own body. The money saves us the toil, and contains the value of a certain quantity of labour. Labour was the first price, the original purchase money, that*

X *The value of every thing is the Labour or Esteem in which it is held.*

that was paid for all things: by it all the wealth of the world was purchased, and its value is equal to the quantity of labour which it can command. P. 44.

Wealth is power, i. e. it may afford a man the means of acquiring power, by giving him the command of other men's labour, and his fortune is greater or less according to the quantity of other men's labour, which it enables him to command. P. 45.

Though labour be the real measure of the exchangeable value of all commodities, it is not that by which this value is estimated; owing to the difficulty of ascertaining the proportion between different quantities of labour, both as to the time spent, the hardship endured, and the ingenuity exercised. P. 45.

Every commodity therefore is compared and estimated with other commodities, rather than by labour; being better suited to the comprehension of the people; the one being a plain object, the other an abstract notion. But when barter ceases, and money becomes an instrument of commerce, commodities are more frequently exchanged for money, than for other commodities. P. 46.

Gold and silver, however, vary in their value, according to the fertility or barrenness of the mines which are known at the time. The discovery of the mines of America, reduced, in the 16th century, the value of gold and silver in Europe, 1-3d of what it had been before, as it cost less labour to bring them to market; but as gold is itself continually varying in its value, it cannot be an accurate measure of the value of other commodities.

Equal quantities of labour, at all times, and in all places, may be said to be of equal value to the labourer. As he must always lay down the same portion of his ease, his liberty and happiness, The price he pays must therefore

therefore be the same, whatever commodities he receives in return. Of these, his labour may sometimes purchase a greater, and sometimes a smaller quantity, but it is *their value* which varies, not that of the *labour* which purchases them. At all times and places, that is dear which is difficult to come at, or which it costs much labour to acquire, and that cheap which is to be had easily, or with very little labour. *Labour* therefore *never varying* in its value, is alone the ultimate and real standard by which the value of all commodities can, at all times, and places, be estimated. It is their *real price*; money is their *nominal price* only. P. 47. 48. To the employer *labour* seems to vary like other things, but in reality it is the goods which are dear or cheap, and not the labour. In this popular sense, therefore, labour may be said to have a *real* and a *nominal price*, the *former* consisting in the quantity of the necessaries and conveniencies of life which are given for it, and the *latter* in the quantity of money. The labourer is rich, or poor, in proportion to the *real*, not to the *nominal price* of his labour. This distinction is of much importance. The same *real price* is always of the *same value*; but the same *nominal price* is sometimes of very *different values*. When an estate is sold, subject to a *perpetual rent* of the *same value*, it must *not* consist in a particular sum of money, which will vary; 1st, As the quantity of metal varies in coins of the same denomination; and, 2dly, According to the different values of equal quantities of gold and silver at different times. The quantity of pure metal in coins, has, among all nations, been continually diminishing, which tends to diminish the value of money coin. The discovery of the coins in America, also diminished the value of gold and silver in Europe. Therefore money-rent is likely to diminish in value, though it be paid in bullion of a certain standard. Rents reserved

reserved in corn have preserved their value better. Since the 18th of Elizabeth, money-rents have almost sunk to a fourth of their value; though since the reign of Philip and Mary the denomination of English coin has undergone little or no alteration. P. 51.

Equal quantities of labour will, at distant times, be purchased more *nearly* with equal quantities of corn, than of gold and silver, or any other commodity; therefore at *distant times* corn will be more nearly of the same *real* value, but not exactly so. The real price of labour is more liberal in a society advancing to opulence, than in one standing still, and in one that is standing still, than in one going backwards. Rent reserved in corn is liable only to the variations in the quantity of labour which a certain quantity of corn can purchase; but a rent reserved in any other commodity, is liable not only to the variations in the quantity of labour which any particular quantity of corn can purchase; but to the variations in the quantity of corn which can be purchased by any particular quantity of that commodity. P. 52.

Though the real value of corn rent varies much less from *century to century*, than that of a money rent, it varies much more from *year to year*. The money price of labour seems accommodated to the *average* price of corn, which is regulated by the value of silver; and which seldom varies much from year to year. Labour then appears to be the only universal standard by which we can compare the values of different commodities at all times and in all places. P. 53.

At distant places, there is no regular proportion between the real, and the money price of commodities, yet the merchant considers nothing but the money price, or the difference of the quantity of silver for which he buys, and for which he is likely to sell again. At Canton,

ton, in China, half an ounce of silver may command a greater quantity of the necessaries of life, than an ounce in London; a commodity therefore which sells for half an ounce of silver in Canton, may be dearer than a commodity which sells for an ounce in London. If a London merchant can buy at Canton for half an ounce of silver, a commodity which he can sell in London for an ounce, he gains one hundred per cent. by the bargain, and this is what he wants. P. 55.

As it is the *nominal*, or money price of goods which regulates almost the whole business of common life where price is concerned, we cannot wonder that it should have been more attended to than the *real* price. In comparing the different *real values* of a particular commodity, at different times and places, we must consider not the quantities of silver for which it was sold, but the *labour* which those quantities of silver could have purchased. The *current prices of labour* at distant times can scarcely ever be known, we must content ourselves with those of corn, which are more noticed by historians. P. 56.

Commercial nations have found it convenient to coin metals into money, as gold, silver, and copper, one of which is considered as the peculiar measure of value; and this preference has been generally given to the metal first in use. The Romans had nothing but *copper* money till within five years of the first Punic war; copper therefore appears to have been always the measure of value in that Republic. P. 57. The Northern nations seem to have had *silver* from the beginning of their settlements. In England there were silver coins in the time of the Saxons; but little *gold* coined till the time of Edward III. nor any *copper* till that of James I. hence our accounts are kept in pounds sterling (silver) not in guineas. P. 58.

Originally,

Originally, in all countries, a legal tender could be made only in the coin of *that metal* which was considered as the measure of value. In England, gold was not considered as a legal tender for a long time after it was coined into money, and the *proportion* between the values of gold and silver money, was left to be settled by the market. And copper at present is not a legal tender except in the change for the smaller silver coins. P. 59.

The proportion between their respective values, as for example, between a guinea and 21 shillings is now settled by law; hence the distinction between the metal which is standard, and that which is not the standard, becomes little more than a nominal distinction. In consequence of any change in this *regulated proportion*, this distinction becomes something more than nominal. If the value of a guinea were reduced to 20 shillings, or raised to 22 shillings, payments might still be made for debts, in silver as before, but would require different quantities of gold. Silver would appear to measure the value of gold, but gold would not appear to measure the value of silver. This difference would be owing to the custom of keeping accounts, and of expressing the amount of all great and small sums rather in silver, than in gold money. A note for 50 *guineas* would be payable with 50 guineas, and if the custom of keeping accounts, and of expressing promissory notes in this manner, should become general, *gold*, and not silver, would be the metal peculiarly the measure of value. P. 60.

In *reality* the value of the most precious metal regulates the value of the whole coin. Twelve copper pence, which, before it is coined, is worth but seven-pence in silver, will in the market fetch one shilling; and 21 defaced shillings are equivalent to a guinea. P. 61.

In the English mint a pound weight of gold is coined into 44½ guineas. An ounce of such gold is therefore

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worth 3*l*. 17*s*. 10½*d*. Before the reformation of the gold coin, the price of standard gold bullion had been from 3*l*. 18*s*. to 4*l*. an ounce; since that time the market price seldom exceeds 3*l*. 17*s*. 7*d*. an ounce. The late reformation of the gold coin has therefore raised the value of gold and silver coin.

In the English mint a pound weight of standard silver is coined into 62 shillings. Five shillings and two-pence an ounce is the mint price of silver. Before the reformation of the gold coin, the market price for standard silver was from 5*s*. 4*d*. to 5*s*. 8*d*. per ounce; but since, it has been from 5*s*. 3*d*. to 5*s*. 5*d*. an ounce, silver bullion has not fallen so low as the mint price. P. 62, 3.

In English coins, copper is rated very much above its real value, and silver is rated somewhat below it. In the market of Europe, in the French and Dutch coin, an ounce of fine gold exchanges for about 14 ounces of fine silver. In the English coin it exchanges for about 15 ounces, that is for more silver than it is worth, according to the common estimation of Europe. But as the price of copper in bars, even in England, is not raised by the high price of copper coin, so the price of silver in bullion is not sunk by the low rate of silver in English coin. P. 64.

Upon the reformation of the silver coin in the reign of William III. the price of silver bullion continued to be somewhat above the mint price, (occasioned, as Mr. Locke thought, by the permission granted of exporting silver bullion, but not coin), which would probably be the case now, were silver coin brought as near its standard weight as gold. In which case there would be a profit in melting it down, an inconvenience which would require some remedy. P. 64, 5.

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The inconveniency would be less, if silver were rated in the coin as much above its proper proportion to gold, as it is at present below it; provided that silver should not be a legal tender for more than the change of a guinea. No creditor would in that case be cheated in consequence of the high valuation of silver in coin. Bankers *only* would suffer by this regulation, and to their creditors it would be a considerable security. It may be thought that 3l. 17s. 10d. containing only an ounce, should not purchase more than an ounce of bullion. But coin is more *convenient* than bullion; and the *time* it takes in coining is equivalent to a small duty, which renders coin more *valuable* than bullion, P. 66.

A small duty upon coinage might increase the superiority of the metals in coinage, above an equal quantity of them in bullion, which would prevent the melting down the coin, and would discourage its exportation; and what was exported would return of its own accord. This is the case in France, where 8 per cent. is charged on coinage. P. 67.

The occasional fluctuations in the market price of gold and silver bullion arise from the same causes as the like fluctuations in that of all other commodities. From the loss of these metals by land and sea;—from the continual waste of them—and from the wear and ^etar of the coin, a continual importation is required, which merchant importers will endeavour to make a good account of. P. 68.

Money is more or less an accurate *measure of value* according as the current coin is more or less exactly agreeable to its standard. In England 44½ guineas are contained in a pound of standard gold, that is in 11 ounces of pure gold. and one of alloy. But if by *wear* they contain less than a lb. weight of standard gold, the *measure of value* becomes liable to the same sort of

uncertainty to which other weights, and measures are exposed. The merchant will therefore adjust the price of his goods not to what those weights and measures ought to be, but to what, he finds by experience they actually are. By the *money price* of goods, is to be understood the quantity of *pure* gold or silver for which they are sold without regard to the denomination of coin. In the time of Edward I. 6s. 8d. was considered as the same *money price* with a pound sterling at present, because it contained the same quantity of pure silver. P. 69.

CHAP. VI.

Of the component parts of the price of commodities.

IN the early state of society, the proportion between the quantities of labour, necessary for acquiring different objects, seems to be the only circumstance which can afford any rule for exchanging them for one another. Among hunters, if it requires twice the labour to kill a beaver, which it does to kill a deer, *one beaver* should be worth *two deer*. What is the produce of two days labour will be worth double the produce of one day's labour. But allowance must be made for that species of labour which is more severe than another ;—or for that which requires an uncommon degree of dexterity and ingenuity, because the talents necessary to the performance of the latter, cannot be acquired without great application. P. 70.

In this state of things, the whole produce of labour, belongs to the labourer, and the quantity of labour employed in acquiring any commodity must regulate the quantity of labour which it ought to purchase. P. 71.

When

When stock has accumulated in the hands of particular persons, some will naturally employ it in setting to work industrious people, in order to make a profit by their work. In exchanging the *complete manufacture*, over and above the price of the materials, and the wages of the workmen, there must be the profits to the undertaker of the work who hazards his stock in this adventure. The value added by the workman to the materials, is, first, *the wages*, and secondly, the profits of the employer which must be in proportion to the extent of his stock. P. 72.

The *profits of stock* cannot be resolved into the wages of the *labour of inspection and direction*. Since this labour may be nearly equal in a manufactory whose annual stock does not amount to 1000l. per ann. as in another where 7000l. is employed; the profit of the former at 10l. per cent being 100l. and that of the other 700l. In great works, the labour of inspection is committed to some principal clerk; his wages, express the value of this labour, although regard is commonly had to the *trust* reposed in him, as well as to his labour and skill; but this never bears any proportion to the *capital*, of which, he has the management; and the owner though discharged of all the labour, expects that his profits should bear a regular proportion to his capital. In the price of commodities, therefore, the profits of stock constitute a component part, different from the wages of labour, and regulated by different principles. P. 73.

In this state of things the *whole* produce of labour does not belong to the labourer, he must share it with the owner of the stock which employs him. P. 74.

As soon ^{as} the land in any country becomes private property, the landlords demand a price for its natural produce, consequently, what *formerly* cost the labourer only

only the trouble of gathering, has a price fixed on it, and he must give his landlord a portion of what his labour collects or produces, which constitutes the rent of land, and is a *third* component part. P. 74.

The real value of all the different component parts of price, is measured by the quantity of labour which they can command. Labour measures the value not only of that part of price which resolves itself into *labour*, but of that which resolves itself into *rent*, and of that which resolves itself into *profit*. The price of every commodity finally resolves itself into *some* or *all* of those three parts. In the price of corn, one part pays the wages and maintenance of labourers and cattle, another pays the rent of the Landlord, and a third pays the profit of the farmer. A fourth part, it may be thought, perhaps, is necessary for replacing the *stock*. But this is made up of the same three parts: as the price of a horse for instance, consists in the rent of the land upon which he is reared, the labour of rearing him, and the profits upon the rent, and labour. P. 75.

In the price of flour, there must be added to the price of corn, the profits of the miller, and the wages of his servants; in that of the baker, his profits and the wages of his servants, and in the price of both, the labour of carriage from the farmer to the miller, and from him to the baker. P. 76.

The price of flax resolves itself into the same three parts as that of *corn*; in the price of linen, we must add the wages of the flax-dresser, spinner, weaver, &c. with the profits of their employers. Consequently in the progress of the manufactures, that part of price which resolves itself into *wages* and *profits* comes to be greater in proportion, to that which resolves itself into *rent*. Not only the number of profits increase, but every subsequent

sequent profit is greater than the former, because the capital employed must be greater. P. 76.

The price of some commodities resolves itself into two parts, as that of sea-fish, one part pays the labour of the fisherman, and the other the profits of the capital. *Rent* seldom makes a part, but in salmon fishery it does. Some persons make a trade in gathering Scotch pebbles, the price of which is *altogether* the *wages* of their labour. P. 77.

As the price of every particular commodity, taken separately, resolves itself into some, or all of those three parts, so does that of *all* the commodities which compose the annual labour of every country. Wages, profit, and rent are the three original sources of all revenue, as well as of all exchangeable value. Whoever derives a revenue from a fund which is his own, must draw it from his labour; from his stock; or from his land. That derived from labour is called wages; that derived from *stock* is called *profit*, if he employs it himself; if lent to another it is called *interest*, in this case part of the profit must go to the *borrower*, who takes the risk and labour, and part to the *lender*, who affords him the opportunity of making this profit. The revenue which proceeds from land is called rent. All taxes, salaries, and pensions, are derived from some of these three original sources of revenue. P. 78, 9.

When these three sources of revenue belong to *one* man, they are sometimes confounded. A gentleman farmer, should, after paying the expences of cultivation, gain the *rent* of the landlord, and the *profit* of the farmer, he is apt to denominate the whole *gain*. Most of the West Indian planters are in this situation. P. 80.

Common farmers seldom employ any overseer; and even do much of the labour themselves: besides then the *common profits*, they should receive wages as labourers,
and

and overseers; in this case, *wages* are often confounded with *profit*. The same may be said of an *independent manufacturer*, and of a *gardener*, who cultivates his own garden with his own hands. P. 80.

As in every civilized country, the value of few commodities arises from *labour* only, *rent* and *profit* contribute largely to most of them, so the annual produce of its labour will be always sufficient to purchase a greater quantity of labour than what was employed in bringing that produce to market. If the society was to employ all the labour which it can annually purchase, the produce of every succeeding year would be of vastly greater value than that of the foregoing. But no country employs all its annual produce in maintaining the industrious. The *idle* every where consume a great part of it, and according to the proportion in which it is divided between those two orders, its average value must increase, or diminish, or continue the same from one year to another. P. 81.

CHAP. VII.

Of the natural, and market price of commodities.

THERE is in every society an average rate of *wages*, and *profit* in every different employment of labour and stock; which is regulated by the circumstances of the Society, viz. their *advancing*, *stationary* or *declining* state;—or by the nature of the employment;—There is also an average rate of *rent*, regulated by the circumstances of the society, or by the fertility of the land. These may be called the *natural* rates of *wages*, *profit*, and *rent*.

When

When the price of a commodity is neither more nor less than what is sufficient to pay the *rent of the land*, the *wages of labour*, and the *profits of stock*, it may be called the *natural price*; it is then sold for precisely its worth, or what it really cost the person who brings it to market. If he sells it at a price which does not allow him the average rate of profit in his neighbourhood, he is a loser by the trade, since by employing his stock some other way he might have made that profit. His profit besides, is his revenue; unless therefore his goods yield him this profit, they do not repay him what they cost him. Though the price which leaves this profit is not always the lowest for which he *could* sell, yet it is the lowest at which he is likely to sell for any considerable time. P. 82, 3.

The *actual price* of any commodity is called its *market price*, and may be above or below its natural price. The market price of a commodity is regulated by the *quantity* actually brought to market and the demand of those who are willing to pay the *natural price*, which demand may be called the *effectual demand*, and is different from the *absolute demand*. When the quantity falls short of the *effectual demand*, a *competition* must take place, which will be more, or less eager, according as the commodity is of more or less importance. When the quantity exceeds the *effectual demand*, it cannot all be sold to those willing to pay the *natural price*; which must reduce the price of the whole, in proportion to the excess of the commodity, or as it is more or less important to get immediately rid of it. But when the quantity is just sufficient to supply the *effectual demand*, then the *market price* is the same as the *natural price*. P. 84, 5.

The quantity of every commodity suits itself to the *effectual demand*. It is the interest of the *sellers*, that it should not exceed this: and of the people at large, that

it should never fall short of that demand. And if at any time it *exceeds*, or falls short of the *effectual demand*, by the exertions of *landlords, labourers*, or those who employ them, it will soon be brought to its natural price, which may be termed its central price, to which the prices of all commodities are gravitating. P. 86.

The whole quantity of industry annually employed, aims at supplying the *effectual demand*. But in some employments, the *same quantity of industry* will in different years produce different quantities of commodities, as in the case of *corn, wine, hops, &c.* But the same number of spinners and weavers will produce equal quantities of cloth. In the one species of industry, the *average* produce must be suited to the effectual demand, consequently the market price will be subject to great fluctuations. In the other species of industry the produce can always be suited to the effectual demand; the *price of this species* of commodity varies only with the variations of the demand; but that of the other, with the variations of the demand, and the quantity brought to market. Temporary fluctuations in the market price fall chiefly upon those parts of price which resolve themselves into wages and profit, not that part which resolves itself into rent; because that is generally adjusted according to the average price of the produce. Such fluctuations affect the value either of *wages* or *profit*, according as the market is *over* or *under* stocked with commodities or labour. A public mourning raises the price of black cloth, but not the wages of the weavers. It raises the wages of journeymen taylor^s, but sinks the price of coloured cloths, and the wages of ^{the} people employed in preparing them. P. 87, 9.

When by an increase in the effectual demand, the *market price* is a good deal above the *natural price*, those interested in this change are careful to conceal it, to prevent new rivals employing their stocks in the same way.

labour, or *stock*, from being employed about it, that the quantity brought to market should be only sufficient to supply the effectual demand.

The statutes of apprenticeship, and corporation laws, enable the workman sometimes to raise his wages above their natural rate, at other times oblige him to let them down below it. As they exclude many people from his employment, they also exclude him from many other employments. The effect in *raising* the wages may endure for centuries; but that of lowering them can only last the lives of some of the workmen bred to the business during its prosperity; when *they* are gone, the number, if there be no restraint, will suit itself to the effectual demand. P. 93, 4.

The *natural price* of a commodity, varies with the *natural rate* of its component parts; which varies according to the riches or poverty of the society. The causes of these variations will be explained in the four following chapters. P. 95.

CHAP. VIII.

Of the wages of labour.

The *produce* of labour, constitutes its *natural wages*. In the *original state of things*, the whole produce belongs to the labourer. He has neither landlord, nor master. Had this state continued, the wages would have increased, with all the improvements to which the *division of labour* gives occasion, and all things would have become cheaper, in proportion as they were produced by smaller quantities of labour. P. 96.

Though

Though all things would have become cheaper in *reality*, in *appearance* many things might have become dearer than before, or have been exchanged for a greater quantity of goods. If, for example, in the greater part of employments, the productive powers of labour had been improved ten-fold, and in some other only two-fold, it is evident that ten times the quantity of work in the former, must be given for only double the original quantity in the latter; which would make it *appear* five times dearer than before, though in reality it would be twice as cheap. P. 97.

The state of things in which the labourer enjoyed the whole produce of his own labour, could not last beyond the first appropriation of land, and the accumulation of stock. When land becomes private property, the landlord demands his share of the produce, as rent. The maintenance of the labourer is also advanced out of the stock of the farmer, whose profit makes a second deduction from the produce of the labourer which is employed upon land. The produce of almost all other labour is liable to like deductions of profit. In manufactures, workmen stand in need of a master to advance them materials, and wages, who shares in the produce of their labour. It sometimes happens that a workman is so far independent as to purchase materials, and maintain himself till it is completed; he then enjoys the whole produce of his labour, including the profits of stock, and wages of labour. P. 98.

The common wages of labour, depend upon the agreement made between the parties, whose interests are not the same. The *workmen* desire to get as much as possible; the *masters* to give as little as possible; the *former* are disposed to combine in order to raise; the *latter* in order to lower, the wages of labour. P. 99.

The

The masters being fewer in number, more easily combine ; the law does *not* forbid their combinations while it prohibits those of the workmen. Besides the masters can hold out the longest ; though the workman may be as necessary to the master, as his master is to him, the necessity is not so immediate. P. 100.

The combinations of masters though rarely heard of, are not less frequent than those of workmen. There is almost every where a tacit combination among them not to raise the wages of labour, and because it is *usual* nobody hears of it. And sometimes they combine to sink the wages of labour, which is done with the utmost secrecy, and when the workmen yield without resistance, it is not known to other people. The combinations of workmen whether under the pretence of the high price of provisions, or of the great profits made by their masters, are attended with clamour and violence ; against which, the assistance of the magistrate is demanded. The workmen accordingly seldom derive any advantage from those combinations ; being obliged, either from the power of the magistrate,—the steadiness of the masters,—or their own indigence, to submit. P. 101. There is a rate however, below which, it seems impossible to reduce the ordinary wages of labour.

A man must live by his labour. His wages must do more, they must enable him to *bring up* two children. But as half the children born, die before the age of manhood, the wages of the labourer must be sufficient to enable him to attempt to rear four children, the maintenance of which may be equal to that of one man. P. 102.

Circumstances, sometimes, enable the labourer to raise his wages above this rate, which is the *lowest* consistent with humanity. When the demand for those
who

who live by wages is increasing, there will be a competition among the masters to get workmen. This demand will be in proportion to the *funds* destined for the payment of wages, which are of two kinds. (1.) The revenue which is more than necessary for the maintenance; and, (2.) the stock, which is more than necessary for the employment of their masters. A man who has more *revenue* than sufficient to maintain his family, employs the surplus in maintaining one or more menial servants. Thus also an independent workman will with his surplus *stock*, employ journeymen, in order to make a profit by their work. The demand therefore for those who live by wages, increases with the increase of the revenue and stock of every country, or with the increase of national wealth. P. 103, 4.

It is not in the *richest* countries, but in the *most thriving*, that the wages of labour are highest. England is richer than America, but the wages of labour are higher in the latter than in the former. The price of provisions is much lower in America than in England.* A dearth has never been known there. The money price being higher there than here; the *real price*, must be higher in a still greater proportion. Though England therefore be the richer, America is the more thriving. P. 105.

The most decisive mark of the prosperity of any country is the *increase* of the number of its inhabitants. In Europe they are not doubled in 500 years, but in America they double in 25 years. And this encrease is found to be principally owing to the great multiplication of the species. A numerous family is a source of opulence to the parents; the labour of each child is computed to be worth a hundred pounds clear gain to them.

A young

* This was written in 1773.

A young widow with four or five children is frequently courted as a sort of fortune. This value of children is the greatest of all encouragements to early marriage, the increase occasioned by such early marriages is not sufficient to supply the continual increasing demand for labourers. P. 106.

When the wealth of a country has been long *stationary*, the wages of labour will not be high. The revenue and stock may be of the greatest extent, but if they have been long so, an increase of labourers would not be wanted, the number would even multiply beyond their employment, and the wages be reduced to the lowest rate which is consistent with humanity. CHINA, the richest country in the world, is perhaps the worst for a labourer to bring up a family in. He is contented with a small quantity of rice for the labour of a whole day. The artificer there, runs through the streets begging employment. And many thousand families live in little fishing boats, whose subsistence is the refuse thrown from the European ships. Marriage in China is encouraged not by the value of children, but by the liberty of destroying them. Yet China does *not* seem to go backwards either in its number of inhabitants, or in the cultivation of its lands; consequently the annual labour, and the funds destined to maintain it, must be nearly the same. P. 107.

But in a country where the funds destined for the maintenance of labour were sensibly decaying, the demand for servants and labourers would be less every year. Many in the superior classes, would be glad of employment in the lowest, which must reduce the wages of labour to the most miserable subsistence of the labourer, and multitudes must either starve, or gain a subsistence by begging, or by the perpetration of enormities.

Famine

Famine and mortality would eventually reduce the inhabitants to that number which could be maintained by the revenue and stock left, and which had escaped the tyranny or calamity which had destroyed the rest. Such is the present state of Bengal, and other English settlements in the East Indies. P. 109.

The liberal reward of labour is the effect, and also the natural symptom of increasing national wealth. The scanty maintenance of the labouring poor is the natural symptom that things are at a stand; and their starving condition, that they are going backwards. P. 111.

In Great Britain the wages of labour seem to be more than what is precisely necessary to enable the labourer to bring up a family. For, (1.) There is a distinction between summer and winter wages. Summer wages being highest; but the expences of a family are greatest in winter. Wages, therefore, seem to be regulated by the quantity of work done, and not by the necessities of the workmen. (2.) The wages of labour do not fluctuate with the price of provisions, which must be the case, if they were no more than necessary to the maintenance of the labourer. (3.) As the price of provisions varies more from year to year than the wages of labour, so the wages of labour vary more from place to place than the price of provision. Things sold by retail are as cheap in towns, as the country, but the wages of labour are 1-4th or 1-5th higher in a great town than at a few miles distance. This difference of prices is not sufficient to transport a man from one place to another, though it would the most bulky commodities, from one end of the kingdom to the other, so as to reduce them to a level. (4.) The variations in the price of labour not only do not correspond either in place or time with those in the price of provisions, but they are frequently quite opposite.

five. Grain, the food of the common people, is dearer in Scotland than in England, but the price of labour is dearer in England than in Scotland. If then the labouring poor can maintain their families in one part of the kingdom, they must live in affluence in the other. During the last century, grain was dearer both in Great Britain and France than during the present; but labour was much cheaper, owing to the greater demand for labourers, occasioned by the improvements in agriculture and manufactures. Lord Hales, in the reign of Charles II. computes the *necessary* expences of a labouring family of six persons at 26l. a year, which, if they cannot earn, they must make up by begging or stealing. And Mr. King, in 1688, agrees very nearly with Lord Hales. Since which, both the income and expences of such families have considerably increased, but to what amount it is not easy to determine, unless where wages are regulated by laws; and experience shews that the law never regulates them properly. P. 111, 117.

The *real* recompence of labour has, during the present century, increased in a greater proportion than its money price. For not only grain is become somewhat cheaper, but potatoes do not cost half the price they did sixty years ago, the same may be said of garden stuff in general. Formerly apples and onions were imported from Flanders. Clothing and furniture are also cheaper. Soap, salt, candles, leather, and liquors are much dearer, owing to the taxes laid upon them; but the increase of ^{value in} these does not compensate for the diminution of the price in other articles. The luxury also which extends itself to the lower ranks, may convince us that the real recompence for labour has augmented. P. 118.

This improvement in the circumstances of the lower ranks of the people is certainly an advantage to the whole.

whole. Since they make up the greater part of every society: and no society can be happy, of which the greater part of the members are poor and miserable. Besides equity requires, that they who maintain the whole body of the people, should be themselves tolerably well maintained. P. 119.

Poverty discourages marriage, but seems favourable to generation. Barrenness is very rare among those of inferior station. Luxury inflames the passions, while it weakens the powers of generation. Poverty is extremely unfavourable to the *rearing* of children. In the Highlands of Scotland, mothers of twenty children frequently have not two alive. Among the poor in some places, one half the children born, die before they are four years of age, and in almost all places, before they are nine or ten; and in parish charities the mortality is still greater. P. 119, 20.

Every species of animals naturally multiplies in proportion to the means of subsistence. The scantiness of subsistence among the inferior ranks of people, sets limits to the multiplication of the human species, by destroying part of their children. The liberal reward of labour extends those limits in the proportion which the demand for labour requires. If this demand be continually increasing, marriage is encouraged. Thus does the demand for men regulate the production of men; in America it renders it rapidly progressive, in Europe it is slow and gradual, and in China it is altogether stationary. P. 121.

The wear and tear of a servant, being at the master's expence, the wages paid to journeymen must be such as may enable them to continue the race, according as the circumstances of the society require. The wear and tear of a free servant is less expence to the master, than

that of a slave. The fund destined for replacing the latter is managed by an overseer; who is likely to fall in with the luxury of the rich; that destined for the office with regard to the free man, is managed by the free man himself, who will use it with strict frugality. Experience also teaches, that the work performed by freemen comes cheaper than that performed by slaves. The liberal reward of labour, therefore, is the *effect* of increasing wealth, and the *cause* of increasing population. The condition of the labouring poor seems the happiest in the *progressive* state; it is hard in the *stationary*, and miserable in the declining state. P. 122, 3.

The liberal reward of labour increases industry. A plentiful subsistence increases bodily strength, and the hope of bettering his condition animates the labourer to exert that strength to the utmost. Where wages are high, the workmen are more diligent than where they are low, in some cases they are apt to over-work themselves. Soldiers (by no means the most industrious set of people) when liberally paid for their labour, often hurt their health by excessive work. Excessive application is frequently the cause of idleness. Relaxation from great labour is the call of nature, which, if not complied with, is attended with dangerous consequences. Masters, therefore, have frequently occasion rather to moderate, than to animate the application of their men; perhaps also the man who works moderately, but constantly, executes the greatest quantity. P. 124, 5.

In cheap years, it is pretended, that workmen are more idle, in dear ones more industrious, than ordinary. This is not generally the case; besides years of dearth, are to the common people, years of sickness and mortality. In years of plenty, servants frequently trust to their industry for subsistence. Masters are also encouraged

raged by the increase of their funds to employ a greater number of workmen, which raises the price of labour in cheap years. In years of scarcity people are eager to return to service; but the high price of provisions disposes masters rather to diminish, than increase the number of their servants. In such times, poor independent workmen frequently are obliged to become journeymen for subsistence; hence wages sink in dear years. Masters, therefore, make better bargains with their servants, and find them more humble and dependent in times of scarcity than of plenty; hence they commend the former as more favourable to industry: moreover the profits of masters are greater in dear, than in cheap years, P. 127.

A French Author of great knowledge has shewn, that, in the Woollen, Silk, and Linen manufactures, more work is done in cheap than in dear years. It does not appear that there is any sensible difference in these respects in the Scotch Linen, or Yorkshire Woollen manufactures. The produce of all manufactures depends upon the *demand* in the countries where they are consumed;—upon peace and war;—and upon rival manufactures. A great part of the extraordinary work of cheap years never enters the public registers. The men who leave their masters become independent workmen. The women return to their parents and spin and make cloaths for themselves and families; and the produce of their labour makes no figure in the public registers. P. 129.

The money price of labour is regulated; by the demand for labour;—and by the price of the necessaries and conveniences of Life. The demand for labour determines the quantity of the necessaries of life which must be given to the labourer; and the money price is determined

determined by what is requisite for purchasing this quantity. Though the money price of labour is sometimes high where the price of provisions is low, it would be still higher if the price of provisions was high.

P. 130.

The increase in the wages of labour, increases the price of many commodities, by increasing that part of it which resolves itself into wages, and thus tends to diminish their consumption both at home and abroad. The same cause which raises the wages of labour, tends to increase its productive powers. The owner of stock endeavours to make such a division of employment as shall produce the greatest quantity of work. For the same reason he supplies his workmen with machinery: and what takes place in a particular work-shop, takes place in Society. The greater the number of labourers, the more they divide themselves into different classes of employment. Hence commodities are produced by so much less labour, that the increase of its price is more than compensated by the diminution of its quantity.

P. 132.

CHAP. IX.

Of the Profits of Stock.

The rise and fall in the profits of stock depend likewise upon the increasing or declining state of wealth of the society. An increase of stock, raises wages, but tends to lower profit. The stocks of several persons being

trained

turned into the same trade, produce competition which tends to sink the profit; the same holds in society at large. P. 133.

Profit is so fluctuating, and depends upon so many circumstances as to make it very difficult, almost impossible to ascertain its rate even for a single year. The best notion of the profits of stocks may be formed from the interest of money.—Where much can be made by money, much will be given for the use of it. P. 134.

In the reigns of Henry VIII and Eliz. 10 per cent was legal interest. By the 21. of James I. it was restricted to 8 per cent. After the restoration it was reduced to 6 per cent; and by the 12 of Anne to 5 per cent. These regulations followed the market rate of interest. Since which, Interest has been $3\frac{1}{2}$, 4, and $4\frac{1}{2}$, per cent. From the time of Henry VIII. the wealth of the country has been advancing, the wages of labour increasing, and the profits of stock diminishing. P. 135.

Trade in a large town requires more stock, than in a village, but owing to the number of competitors, the profits are less, and wages of labour higher. P. 136.

In Scotland, though the legal rate of interest is the same as in England, the market rate is higher. Trade can be carried on with smaller stock, and the wages of labour are lower, the rate of profit therefore must be greater. The country is not only poorer, but is not advancing so fast to a better condition. P. 137.

The market rate of interest is higher in France than in England; the profits of trade are greater there, than here, the wages of labour lower, and the condition of the lower people much worse. P. 139.

Holland in proportion to its extent is a richer country than England; the rate of interest is much lower, the

wages

wages of labour higher, and they trade upon lower profits than any people in Europe. The diminution of profits is the natural effect of prosperity, or of a greater stock being employed. The great property which the Dutch possess in the French and English Funds, the sums they lend to private people in countries where interest is higher, denote that their stock has increased beyond what they can profitably employ in trade. P. 139.

In America the wages of labour ; the interest of money ; and the profits of stock are higher than in England. High wages, and great profits seldom go together, except in new colonies. In a new colony there is more land than stock. The most fertile is only cultivated, and that is often purchased at a price below the value of its natural produce ; stock thus employed will yield a large profit, afford to pay a large interest, and enables the planter to reward his labourers liberally. P. 140.

As the colony increases, the profits diminish. Inferior parts come under cultivation, which yield less profit, but the demand for labour, consequently the wages increase, with the increase of stock. A great stock with small profits, increases faster than a small stock with great profits. Money makes money. P. 141.

The acquisition of new territory, or of new branches of trade, may raise the profits of stock, and with them the interest of money, even in a country fast advancing to riches. The accession of territory and trade to this country caused the rate of interest to be raised nearly 1 per cent. the old stock not being sufficient to carry on the new business. P. 142.

The diminution of the capital stock of the society, lowers the wages of labour, but raises the profits, and interest

rest of money. In the East Indies the wages of labour are low, while the profits are immense; 40, 50, and even 60 per cent, is frequently given for money there. Such was the case in the provinces belonging to Rome, before the fall of the Republic. Brutus is said to have received 48 per cent. interest in Cyprus. P. 143.

In a country which had acquired its full complement of riches, wages, and profits would be low. For being fully peopled, there would be *no* competition for labourers. And being stocked in full proportion to the business, the competition would be as great, consequently the profits as low as possible.

China seems to have been long stationary, owing more to its peculiar laws, than to the nature of its climate and situation. There the rich only enjoy protection, while the poor have no security. Hence the rich have a monopoly of trade, make large profits, and are said to give 12 per cent. interest. P. 144.

A *defect* in the law may sometimes raise the rate of interest. As when the law does not enforce the performance of contracts, the lender will require interest proportional to the risk of losing the principal: or when the law prohibits interest, its rate must be suitable to the danger of evading the law. Hence the high rate of interest among the Mahometans, p. 145.

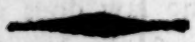
The lowest rate of *profit*, must be more than sufficient to compensate the losses to which the employment of stock is exposed. The lowest rate of interest must more than compensate the occasional losses to which lending is exposed. P. 146.

In a country where there was accumulated the greatest quantity of stock that could be employed, interest must be so low, that none but very rich persons could live on it. Hence almost every man must engage in business. Holland is approaching to this state. P. 147.

The highest ordinary rate of profit, may be only sufficient to pay the labour of preparing and bringing to market; for the workman must be supported while he is about his work, but the landlord may not always be paid; such may be the state of things in Bengal. P. 147.

The market rate of interest ought to vary, as profit varies. In Great Britain double interest is reckoned good profit among merchants. Where the usual clear profit is 8 or 10 per cent. one half may go for interest of money; but if it was much lower, one half could not be afforded; and if the profits were much higher, more might be allowed for interest. P. 148.

In countries advancing to riches, the low rate of profit may compensate the high wages of labour. High profits tend more to raise the price of work, than high wages. In the former case the price is advanced in geometrical proportion, but in the latter only in arithmetical proportion.



CHAP. X.

Of the wages and profit in the different employments of Labour and Stock.

THE advantages and disadvantages of different employments, in the same neighbourhood, must be equal, or tending to equality: for if there were any employment more or less advantageous than the rest, so many people would crowd into it in the one case, and so many would desert it in the other, as would soon bring it to the level of other employments. This must be the case in a society where things are left to follow their natural course.

Pecuniary

Pecuniary wages and profit are, in Europe, different in different employments; which arises partly from certain circumstances in the employments;—and partly from the policy of Europe, which no where leaves things at perfect liberty. P. 151

PART I.

Inequalities arising from the nature of the employments themselves.

The *wages of labour* vary with the agreeableness or disagreeableness of the employments themselves. A journeyman taylor earns less than a collier. His work is not so dirty, is less dangerous, is carried on in day-light and above ground. *Honour* makes a great part of the reward of all honourable professions: *Disgrace* has the contrary effect. In the advanced state of society, none but very poor people follow, as a *trade*, what others pursue as a *pastime*. This may be illustrated in the case of fishermen, and poachers; and where no poachers exist, the licensed hunter is not in a much better condition. The natural taste for those employments makes more people follow them than can live comfortably by them. The same circumstances affect the *profits of stock*: Inn-keeping is neither agreeable, nor very creditable; but few common trades are so profitable. P. 152.

II. The wages of labour vary with the ease, or difficulty of learning the business.—The work which a man learns to perform must, besides the wages of labour, replace the expences of his education; and this too in a reasonable time. Hence the difference in the wages of mechanics, and country labourers:—the labour of the

former is supposed to be of a more delicate nature than that of the latter. The exercise of the one must be through an expensive apprenticeship; the other is open to every body, and the labourer besides is able to maintain himself through all the stages of his employment. Perhaps however the superiority of the mechanic is not greater than what will compensate the superior expence of his education. In the arts, and liberal professions, *education* is still more expensive; the recompence ought therefore to be more liberal. In this case the *profits of stock* are very little affected, because all the different ways of employing stock seem equally *easy* to learn. P. 154.

III. The wages of labour vary with the constancy or inconstancy of employment.

In *manufactures*, a journeyman may generally depend on constant employment. The bricklayer is frequently without any, and liable to interruptions by bad weather. He must on that account earn sufficient to maintain him while he is idle, as well as when he works. Accordingly in most places his wages are better than those of manufacturers: yet no labour seems more easy to learn.

When *inconstancy* of employment is combined with hardship, disagreeableness, and dirtyness of work, it raises the wages of *common labour* above those of the most skilful artificers.—A collier at Newcastle will earn double or three times the wages of common labour, though his employment may be constant. But the business of a coal heaver being necessarily *inconstant*, he will earn much more. The constancy of employment does not affect the profits of stock. The employment of stock depends not upon the trade but the trader. P. 157.—9.

IV.

IV. The wages of labour vary according to the trust reposed in the workmen.

The wages of goldsmiths and jewellers, are superior to those of other trades requiring more ingenuity. Confidence cannot be reposed in people of very mean condition. Their reward must therefore be in proportion to the rank they hold in society. When a person employs his own stock in trade there is no trust, consequently the rates of profit do not arise from the degree of trust reposed in the trader. P. 160.

V. The wages of labour vary according to the probability of success.

The degrees of probability of success, are different, in different employments. In mechanic trades, success is almost certain; but very uncertain in the liberal professions. In the study of the *law*, it is twenty to one if a youth succeeds so as to live by his business. The one which does succeed, ought therefore to gain all that the unsuccessful twenty should have gained. Counsellors fees never equal this. Compute in any place the annual *gainings* and *spendings* of a common trade, the former will be found to exceed the latter: but make the same computation with regard to counsellors and students of the law, and you will find, that the gains bear but a small proportion to the expences. These professions keep their level, from (1) the desire of reputation which attends upon superior excellence: and (2) from the confidence which men have of their own abilities, and good fortune. To those who excel in any profession, public admiration makes a part of their reward;—in the profession of physic it makes a part;—a greater in that of the law;—and almost the whole, in poetry and philosophy. P. 161—2.

The exercise of some agreeable talents, for gain, is reckoned discreditable, the recompence in this case must

must be in proportion to the discredit which attaches to the employment. Hence, the rewards of players, opera singers, &c. Should the public opinion alter, with regard to the occupations, the recompence would diminish, as numbers would apply to them, and the competition would reduce the price of their labour. P. 163.

The conceit which men have of their own abilities, is not greater than their presumption in their own good fortune. To this may be ascribed the universal success of lotteries. A small sum is paid in hopes of gaining a great prize; though that small sum is perhaps thirty or forty per cent. more than the chance is worth. In all lotteries, the more tickets you adventure upon, the more likely you are to be a loser. P. 164.

That the chance of *loss* is under-valued, may be learnt from the small profits of insurers, either from fire, or sea-risk, few of whom have made great fortunes. Moderate as the premium of insurance is, few people, in comparison, care to pay it. P. 165.

This presumption in good fortune, is strongest in young persons, hence the readiness of the common people to enlist for the army and navy. Romantic hopes make the price of their blood, their pay being less than that of common labourers, and their fatigues, in actual service, much greater. The lottery of the sea is *really* more advantageous, than that of the army: but less so in *common estimation*. Where the great prizes are less, the smaller ones must be more numerous. Sailors accordingly have better chances of some fortune and preferment than soldiers. Their gains, notwithstanding the hardships and dangers to which they are exposed, are, all things considered, but little more than equal to the wages of common labour. Danger, instead of disheartening, frequently recommends the trade to young people. Hazard, from which we may extricate ourselves

selves by courage, does not raise the wages of labour. It is otherwise in unwholesome trades, in which courage and address can be of no avail. P. 166—9.

The rate of profit on stock varies according to the certainty of the returns. These are more certain in *inland* than in *foreign* trade. The rate of profit must vary with the risk, though seldom in proportion to it. Bankruptcies are most frequent, in hazardous trades; which would not be the case, if the profit were proportional to the hazard. P. 169.

Of the five circumstances which vary the wages of labour, only the first and last affect the profits of stock. Hence, the average *rate of profit* is more nearly on a level, than the *pecuniary wages of labour*. The apparent difference, in the profits of different trades is generally a deception, for want of distinguishing between wages and profit.—The extravagant profit (as it is called) of an apothecary is frequently no more than the reasonable wages of his labour. His reward must be proportional to his skill and his trust; though it arises from the sale of his drugs. P. 170—1.

A little grocer may make fifty per cent. on a small stock, while a considerable merchant in the same town, cannot make ten per cent. The trade of the former is necessary for the place, and he must live by his trade, and suitably to the qualifications it requires, which, in fact, are little inferior to those necessary for the merchant; his profits, therefore, are really wages of labour, and not unreasonable. P. 172.

The difference between the profit of retail and wholesale trade, is less in large towns than in villages. Hence, goods sold by retail are as cheap, or cheaper in the capital, than in villages; for when the prime cost is the same, goods will be cheapest, where the least profit is charged on them. Though the profits of stock are
less

less in the capital than in the country, yet large fortunes are often acquired in the former, and very seldom in the latter. In villages, trade cannot be extended as stock extends, but this can always be done in the capital; and the *credit* of a frugal thriving man extends *faster* than his *stock*. Great fortunes are the result of a long life of industry. Sudden fortunes are sometimes made by *speculation*, a trade which can be carried on only in large towns. P. 173—5.

In order that the five circumstances above mentioned, may not occasion any inequalities in the *whole* advantages, or disadvantages of different employments, three things are requisite.

I. The employments must have been long established. For wages are higher in new than in old trades, to induce workmen to leave their original employments. The former depends more upon fashion and fancy, than the latter, and therefore the wages are likely to be higher.—New manufactures are speculations, which are as likely to fail, as to succeed; therefore where they are successful, the profits are at first high; but when thoroughly established they come to the level of other trades. 175—7.

II. This equality can take place only in the *natural* state of employments.

The demand for labour, is sometimes greater and sometimes less than usual. In the one case, the advantages rise above, and in the other they fall below, the common level. As in the time of war, merchants pay double for their sailors than in time of peace. On the contrary, in a decaying manufacture, workmen are contented with smaller wages than usual. The profits of stock vary with the price of the commodities in which it is employed. The quantity of industry employed in producing commodities is regulated by the demand. In some employments

employments, the same quantity of industry will produce the same quantity of commodities; as in the linen and woollen manufactories. In them the variation of price must be accidental. In other employments, as the culture of corn, hops, &c. the same industry will, in different years, produce different quantities of commodities; the price must, in such commodities, vary with the demand, and also with the crop produced. 175—9.

III. This equality can take place only, in such as are the principal employments of those who occupy them.

A person subsisting by one employment, may be willing to dedicate his *leisure* to another, for less than is suitable to the nature of the employment. The *cottagers* in Scotland, are out servants to their landlords; for whom they *occasionally* labour at very low wages. The produce of such labour comes to market cheaper than is suitable to its nature. Thus stockings are knit and linen spun, by labourers whose principal subsistence depends on some other employment. Instances of this sort are to be found chiefly in poor countries. An exception, perhaps, is the letting of ready furnished lodgings in London, where a tradesman is obliged to hire a whole house, and endeavours to pay part of the rent by letting the two middle stories; expecting to maintain his family by his trade. P. 179—83.

PART II.

Inequalities occasioned by the policy of Europe.

I. THE policy of Europe, renders the advantages of different employments unequal, by restraining *competition*. This is effected by the privileges of corporations, which confine the trade to those who are free

of them. The bye laws of a corporation, regulate the term of apprenticeship, and the number of apprentices any master is allowed to have at one time. The latter restrains the competition *directly*, the former *indirectly*, by encreasing the expence of education. P. 183—4.

Seven years seem to have been the usual term of apprenticeship all over Europe. Incorporations and Universities were fynonymous terms. The term of years, which it was necessary to study to obtain a degree of Master of Arts, appears to have been copied from the term of apprenticeship in common trades. Seven years were necessary to become a master or teacher in both.

By the 5th of Eliz. no person can exercise a trade, unless he has previously served seven years apprenticeship to it. This restriction has been construed, *not* to extend to villages. This statute affects only those trades which were established in England before the 5th of Eliz. The business of a coach-maker, and the manufactures of Manchester, Birmingham, and Wolverhampton, are not within this statute. P. 184—6.

In Paris, a man must serve five years as an apprentice, and five years as a journeyman to be qualified to exercise a trade. In Scotland the term is very different, in different corporations, three years is a common term, even in nice trades; but in Scotland, the corporation laws are less oppressive than in any part of Europe. P. 187.

Every man's labour is his property, and this is the most sacred of all property. To hinder a man from working at what he thinks proper, or others from employing him, is a manifest encroachment on liberty. The affected anxiety of the lawgiver is as impertinent, as it is oppressive. Long apprenticeships cannot prevent bad work from being offered to sale. The sterling mark on plate is a much better security. P. 188.

Long

Long apprenticeships are inimical to industry. The sweets of labour consist in the recompence of labour ; but this the apprentice does not enjoy. P. 189.

Apprenticeships were unknown to the ancients, there is no Greek or Latin word that will convey the idea which we annex to the term. P. 190.

Long apprenticeships are unnecessary. The arts of a trade do not require a long course of instruction, the lessons of a few weeks, in most cases, may be sufficient. Dexterity must be acquired by practice ; but a youth would be more attentive if he were paid for his labour, and were required to pay for the materials which he spoiled. By this method, whether the master or apprentice were in the end gainers, the public certainly would reap the benefit. Corporations have prevented that free competition which is so necessary to the reduction of the profits of traders. P. 190—1.

The government of towns corporate was in the hands of traders, whose interest kept the market understocked, which was of great advantage to them in their dealings with the country. Every town draws its subsistence, and the materials of its industry from the country, which it pays for :

I. By sending back part of the materials manufactured :

II. By sending it part of the produce of other countries. In the gain on the first, consists the advantage of its manufactures. In that of the second, the advantage of its foreign trade. Wages and profits make up the gain upon both : whatever regulations therefore tend to increase these, give a manifest superiority to the town over the country. P. 192—4.

That the industry of *towns* is more advantageous, than that of the *country*, is evident from the many fortunes acquired in towns, to one in the country. The inhabi-

tants of a town can easily combine, and prevent a free competition even where there is no corporation. Trades which employ but a small number of hands, can do this most easily. The inhabitants of the country are dispersed;—and an apprenticeship is not necessary to qualify for husbandry, though few trades require more experience and knowledge, hence the many volumes written on agriculture,—whereas a mechanic trade may be fully explained in a few pages.

The instruments of the mechanic are always the same, while those of the farmer, such as horses, oxen, and soil are different on different occasions. Agriculture seems to require a greater variety of knowledge which in general, renders the lower ranks in the country superior to those of towns. P. 194.—7.

The high duties on *foreign* manufactures are also an advantage to the industry of towns, where the inhabitants can raise the price of their goods without dread of competition. The enhancement of price in both, is finally paid by landlords, farmers and labourers, who have seldom either opposed monopolies, or entered into combinations themselves. P. 198.

In Great Britain the superiority of the industry of Towns over that of the country was greater formerly than now: owing to the accumulation of more stock in Towns than can be employed with advantage. The surplus stock being brought into the country has created a new demand for labour, and consequently raised its wages. Improvements in agriculture have been owing to the overflowings of stock accumulated in Towns. P. 199.

People of the same trade seldom meet together, even for diversion, without contriving to raise prices. Though the law cannot prevent such meetings, it ought not to facilitate them. Public registers have this effect: so also do

do regulations which enable the same trade to tax themselves in order to provide for the poor, sick, &c. An incorporation makes the act of the majority binding on the whole, whereas, in a *free* trade, an effectual combination requires the consent of every trader. P. 200.

Corporations are not necessary to the good government of a trade. They often have a contrary effect; hence in many incorporated towns good workmen are not to be found.

II The policy of Europe, renders the advantages of different trades unequal, by increasing the competition in some employments beyond what it would naturally be.

In christian countries the greater part of the clergy are educated by public funds, hence the church is crowded with people, who, to get employment, accept of a smaller recompence than is suitable to their education. The pay of a curate is of the same nature as the wages of a journeyman. In the fourteenth century 10*l.* was the usual pay of a parish priest. But the pay of a master mason was much superior, being a shilling a day, and that of a journeyman ninepence. Forty pounds a year, is reckoned at present good pay for a curate, many have less than 20*l.* There are few industrious workmen who do not earn more, The law has often attempted to lower the wages of *workmen*; and to raise those of *curates*, but without effect. P. 202—4.

Great benefices, and dignities;—and the respect paid to the profession, make compensation for the meanness of their pecuniary recompence. In professions in which there are no benefices, such as law and physic, if an equal proportion of people were educated at the public expence, the competition would be so great, as to make it worth no man's while to educate his son to either of those professions at his own expence, since practitioners must

must be contented with a miserable recompence. Such is the situation of that race of men called men of letters.

P. 205.

Before the art of printing, a man of letters could only benefit, by his talents, as a public or private teacher. The qualifications necessary for a teacher of the sciences, are, at least, equal to those requisite for a lawyer or Physician, but his rewards bears no proportion to theirs. Before the invention of printing, licences were granted to scholars to beg. In antient times before any charities had been established for the education of indigent people the rewards of teachers were much more considerable. Isocrates appears to have had upwards of 3000*l.* for each course of lectures. Gorgias, Plato, Aristotle and others, acquired great wealth, by public and private teaching. This inequality may degrade the profession of a public teacher, but the cheapness of literary education must be of advantage to the public.

P. 206—6.

III. The policy of Europe occasions inequalities in different trades by obstructing the free circulation of labour and stock, both from employment to employment, and from place to place.

These are effected by the statute of apprenticeship, and by the privileges of corporations.—Whatever obstructs the free circulation of *labour* from one employment to another obstructs that of *stock* likewise. Corporation laws are less injurious to the free circulation of stock, than to that of labour. P. 209—11.

The obstructions occasioned by corporation laws are common to all Europe. Those occasioned by the poor laws are peculiar to England,—They consist in the difficulty which a poor man finds in being allowed to exercise his industry in any parish but his own.

P. 211.

By the destruction of monasteries, every parish became bound by the 43d of Elizabeth, to provide for its own poor. Hence a question arose who were to be considered as the poor of each parish; this was determined by the 14th of Charles II. when it was enacted that 40 days undisturbed residence should gain a person a settlement in any parish: during which time he was liable to be removed by the magistrate. By the 1st of James II. this forty days was only accounted from the time such person should deliver notice in writing of the place of his abode, and the number of his family to a parish officer. And by the 3d of William III. this notice was to be published at Church after divine service. The design of these acts was evidently *to prevent* persons gaining settlements by the forty days notice. P. 212—13.

There are four other methods of gaining a settlement, (1.) By paying parish rates;—(2.) By serving in a parish office for a year;—(3.) By apprenticeship in the parish;—and (4.) By being hired for, and serving during a whole year in the parish.

The consent of the parish is necessary to obtain a settlement by the two first ways: and no married man can well gain one by the two last. An apprentice is seldom married; and by law an hired married servant gains no settlement.

A workman carrying his industry to a new parish, is liable to be removed, unless he rents a tenement to the value of 10l per annum;—or can give a security of not less than 30l. for the discharge of the parish. P. 214.—15.

By the 9th of William III. *Certificates* were fallen upon; by these a person is not removeable only upon his actually becoming chargeable; and then the parish granting the certificate must pay the expences of maintenance and removal. Hence it should seem
that

that parishes will not grant certificates in ordinary cases; and a *poor man* may, however inconvenient to him, be compelled to remain all his life in the Parish where he has got a settlement. P. 216—18.

The unequal price of labour in places at no great distance from each other is probably owing to this law of settlements. For the scarcity of hands in one parish cannot be relieved by the super-abundance in another, as it is in other countries where there is no difficulty of settlement. P. 218.

To remove a man, who has committed no misdemeanor, from the parish where he chuses to live, is a violation of natural liberty and justice. Nevertheless this grievance has never been the object of popular clamour, though there are few poor people of 40 years of age who have not suffered by it. P. 219.

Antiently, wages were rated by general laws, or by particular orders of the Justices of peace: these practices, with good reason, are now laid aside. Particular acts of parliament still regulate the wages of some trades, as the taylor's. Whenever the legislature attempts to regulate the differences between masters and their workmen, its counsellors are the masters. When the regulation is in favour of the workman it is *always* just; but sometimes otherwise when in favour of the masters. The law which obliges masters to pay their workmen in money, and not in goods is just. This is in favour of the workmen.

Masters can combine to lower the rate of wages; but were workmen to enter into a contrary combination of the same kind, the law would punish them severely, and if it dealt impartially it would treat the masters in the same manner. P. 220—1.

In ancient times, the price of provisions and other goods was rated. The assize of bread is the last remnant

of this usage. Except in exclusive corporations, competition will regulate this article better than any assize. The want of an assize occasioned no inconveniency in Scotland. And the establishment of one has produced no advantage. P. 222.

CHAP XI.

Of the rent of land.

RENT, is naturally the highest which the tenant can afford to pay. Sometimes the liberality, or ignorance of the landlord makes him accept less; and sometimes the ignorance of the tenant makes him undertake to pay more; or to content himself with less than the ordinary profits of farming stock in the neighbourhood. P. 223.

The rent of land is frequently no more than a reasonable profit for the stock, laid out by the landlord upon its improvement. Improvements are often made by the tenant, and, at the renewal of a lease, the landlord demands the same augmentation of rent, as if they had been all his own. Rent, is sometimes demanded for what is incapable of improvement; of this kind are estates bounded by *kelp* shores: and others in the Shetland islands, where part of the rent is paid in sea-fish. The rent of land, is therefore, proportioned to what the farmer can afford to give. P. 224.

The produce of land to be brought to market, must be sufficient to replace the stock, together with its profits. If the price be more than this, the surplus will go to the rent of the land: but if it is not more, it can afford no rent; this depends on the demand. P. 225.

High and low wages, are the causes of the high and low price of commodities, but rent is the effect of it. P. 226.

PART I.

Of the Produce of Land which always affords Rent.

AS men multiply in proportion to the means of their subsistence, *food* is always in demand, and can always purchase such a quantity of labour, as it can maintain at a certain rate. But land, in general, produces more food than is sufficient to maintain all the labour to bring it to market; and to replace the stock with its profits. Something therefore remains for rent. Such are even the desert moors in Scotland. The rent increases with the goodness of the pasture, as the same extent will feed a greater number of cattle, and requires less labour to tend them. P. 227—8.

The rent of land varies with its fertility, and also with its situation: that near a great town pays more than that in a distant country; owing to the expence of carriage, and the greater rate of profits in the country. Good roads and canals, bring the remote parts of the country more nearly to a level with those in the neighbourhood of a town. P. 228.

A *corn* field produces more food for man, than the best pasture. Its cultivation requires more labour, but not in proportion to its produce. The relative values of *bread* and *meat*, vary in the different periods of agriculture. In the early periods, unimproved lands are all abandoned to cattle, there, meat is cheaper than bread: the former costs little more than the labour of catching, but corn cannot be raised without much labour. In cultivated countries, butchers' meat is dearer than bread. In this state of society, cattle are bred upon cultivated pastures, which raise not only the price of those cattle, but of others bred upon uncultivated moors, which in proportion

proportion to their weight are equally good. Thus the rent and profit of unimproved pasture, is regulated in some measure by the rent and profit of what is improved, and this by the rent and profit upon corn. Corn is an annual crop; butchers' meat the growth of several years: the inferiority of the quantity, must be compensated by the price. There are, however, situations where the rent and profits of grafs are superior to what can be made of corn, owing to the great demand for milk, hay, and butchers' meat, as in the neighbourhood of a great town. Whole districts, may, by their population, be thus circumstanced, as Holland is at present, and antient Italy was in its prosperity. It may also be the case of a well *enclosed* piece of grafs in a country, whose principal produce is corn. P. 229—34.

But where there is no local advantage, the rent and profit of corn, the common vegetable food of the people, must regulate the rent and profit of pasture. The use of turnips, &c. in feeding of cattle, seems to have reduced the price of butcher's meat in proportion to the price of bread, since the beginning of the last century. In 1612 it appears, that the choice pieces of beef were sold at $4\frac{1}{2}$ or 5d per lb. But in 1764 there was a parliamentary enquiry into the reasons of the high price of meat, when it was given in evidence that the best pieces of beef were 4d. and $4\frac{1}{2}$ d. per lb. being one halfpenny dearer than had been the usual price. Now in the twelve first years of the last century, wheat was 1l. 18s. 3d. the quarter; and in the twelve years preceding, 1764, it was 2l. 1s. 9d. the quarter. P. 235—6.

The greater part of cultivated lands is employed in producing food for men or cattle. The rent and profit of these, regulate the rent and profit of other cultivated land. In gardens of hops or fruit, the rent and profits are greater than in a grafs or corn field; but they require more expence and skill to bring them into condition

tion. The crop in the hop or fruit garden, is more precarious, the price therefore must afford the profit of insurance. In antient husbandry, the vineyard was reckoned the most profitable, and next to that, a well watered kitchen garden. Democritus, thought the latter would not pay the expence of a wall; and Columella, on that account, recommends a hedge of briars. In northern countries, a wall is indispensably necessary for the finer fruits. Their price must be sufficient to pay the expences of the wall. P. 237—9.

Writers on agriculture now, as well as the antients, consider the vineyard as the most profitable part of a farm. The disputes on the subject prove, that the superiority is not very great. In 1731, the planting of new vineyards was prohibited in France, under the pretence of a scarcity of corn, and the superabundance of wine. If the superabundance had been real, a reduction on the profits would have made the prohibition useless. And that vineyards have not occasioned any scarcity of corn, is certain, from the care with which corn is cultivated in the wine provinces. P. 239—41.

Sometimes the quantity of land fitted for some particular produce, is too small to supply the *effectual* demand. In this case, the profits will bear no proportion to those of corn, the excess of which naturally goes to rent. The vine is more affected by the difference of soil, than any other fruit tree; from some it derives a flavour which no culture can equal upon any other. This flavour is sometimes peculiar to a few vineyards, and sometimes to a whole district. The quantity of such wine falls short of the effectual demand, and competition for it raises the price above common wines. P. 242—3.

The produce of the sugar colonies in the West Indies falls short of the effectual demand of Europe. In Cochin-china, the finest white sugar is sold for about 8 shillings the Cwt. *There* the greater part of the land is employed

employed in producing corn, and rice, the food of the people ; consequently the prices of corn, rice, and sugar, are in the natural proportion. But in our sugar colonies, the price of sugar bears no such proportion to that of the produce of a corn field in Europe. The sugar planter it is said expects the Rum and Molasses to defray the expence of cultivation, and that the sugar should be clear profit. P. 244.

In Virginia and Maryland the cultivation of tobacco is preferred to that of corn. The cultivation of tobacco being absurdly prohibited in Europe, a sort of monopoly is given to the countries where it is allowed. Though the cultivation of tobacco does not seem so advantageous as that of sugar ; yet from the preference given to the cultivation of tobacco, to that of corn, the *effectual demand* of Europe does not seem to be completely supplied. From the restrictions laid upon the planters, and from other methods taken to keep up the price, the superior advantage of its culture over that of corn will not probably be of long continuance. P. 245—6.

Thus the rent of the cultivated land, the produce of which is *human food*, regulates the rent of the other cultivated land. The rent of corn land regulates in Europe that of all other cultivated land. P. 247.

If in any country the common vegetable food of the people should be drawn from a plant, of which common land with the same culture, would produce a greater quantity than the most fertile does of corn, the *real* rent of the landlord would be greater. P. 248.

A *rice* field produces more food than a corn field, so that even in Carolina, where rice is not the common vegetable food of the people, and where their fields produce but one crop in a year, it is reckoned more profitable than corn. A *good* rice field is a bog, unfit for other vegetable produce useful to men ; therefore the rent of
rice

rice lands cannot regulate the rent of the other cultivated land. P. 248.

The food produced by a field of potatoes, is not inferior *in quantity* to that produced by a field of rice, and much superior to what is produced by a field of wheat; for after allowing for the watery nature of potatoes the produce of potatoes will be three times that of wheat. They are cultivated with less expence. Should they ever become the common vegetable food of the people, the same quantity of cultivated land would maintain a greater number of people and a great share of the surplus profit would go the landlord. Land fit for potatoes, is fit for other useful vegetables; if they occupied the same proportion of land which corn does, they would regulate the rent of the rest.—No food seems more nourishing than potatoes.—The difficulty of preserving them discourages their cultivation. P. 249—51.

PART II.

Of the produce of land which sometimes does, and sometimes does not, afford rent.

HUMAN food is the only produce of land which always affords some rent to the Landlord. After food, clothing and lodging are the two great wants of mankind. Land in its *rude state* can afford the materials of clothing and lodging to a much greater number of people than it can feed. In its *improved state*, the case is often reversed. P. 252.

The skins of animals were the original materials of clothing; consequently among shepherds and hunters
every

every man provided himself clothing by providing food. Without *foreign* commerce the greater part of the skins would be thrown away. Every nation, among whom land property is established, has some foreign commerce of this kind, which affords some rent to the landlord. This is the case of the highland estates. In old times the surplus wool of England found a market in Flanders. P. 253.

The materials of lodging cannot always be transported to so great a distance as those of clothing, hence it frequently happens that they are of no use to the landlord. A *stone quarry* near London would afford considerable rent. In many parts of Scotland and Wales it affords none. Timber in a populous well cultivated country affords considerable rent : in some parts of North America the landlord would be obliged to any body who would carry away the greater part of his large trees. And in several parts of Scotland, the bark only can be sent to market for want of roads and water carriage. In such cases the land affords not rent to the landlord ; unless by the demand of wealthier nations. Paving the streets of London enables the owners of some barren rocks of Scotland to draw a rent from what afforded none before. The woods of Norway find a market in Great Britain. P. 254.

Countries are populous only in proportion to the number of people whom their produce can feed. When food is provided it is easy to find clothing and lodging. A house may be built in one day by one man. Clothing requires but little more. But when by cultivation of land, the labour of one family can provide food for two, the labour of half the society becomes sufficient to provide food for the whole. The rest may be employed in providing clothing, lodging, furniture, and equipage. The difference of the food of a rich man and
his

his poor neighbour, consists in the quality, not in the quantity. But the difference between their clothing, lodging, and furniture is as great in quantity, as it is in quality. The desire of food is limited by the capacity of the stomach ; but the desires of building, drefs, equipage, &c. have no limit. The poor, to obtain food, exert themselves to gratify the fancies of the rich. The number of workmen increafes with the increafing quantity of food ; and the quantity of materials which they can work up increafes in a greater proportion. Hence arifes the demand for every fort of material which human invention can employ ;—for foſſils, minerals, precious metals, and precious ſtones. P. 255.—7

Food is, in this manner, the original ſource of rent. There are other parts of the produce of land which ſometimes afford rent, but not always. Whether a *coal-mine*, can afford rent, depends upon its *fertility*, and upon its *ſituation*. Some, well ſituated, cannot be wrought, on account of their barrenneſs. They afford neither profit nor rent. Others would afford profit to the undertaker, but no rent ; theſe can be wrought only by the landlord. Some ſufficiently fertile cannot be wrought for want of roads, or water carriage. P. 257—8.

The expence of coals, muſt be ſomewhat leſs than that of wood. The price of wood, like that of cattle, varies with the ſtate of agriculture. In the rude beginnings, wood is a mere incumbrance. As agriculture advances, woods are partly cleared by tillage ; and partly deſtroyed by cattle. The ſcarcity of wood affords to the landlord, a rent, in ſome caſes, equal to what can be derived from corn or paſture. Upon the ſea-coaſt, where coals are eaſily obtained, it is ſometimes cheaper to bring timber from a foreign country than to raiſe it. Wherever the expence of a coal fire is nearly equal to that of a wood one, there the price of coals is as high

as it can be. Coals, in the coal countries, are much below this, or they would not bear the expence of carriage. The most fertile coal-mine, regulates the price of coals, at all other mines in the neighbourhood. P. 259—61.

Rent, has generally a smaller share in the price of coals, than in that of most other parts of the rude produce of land. The rent of an estate above ground, is generally a *third* of its produce; in coal mines, a *fifth* is great rent. Thirty years purchase is a moderate price of a landed estate; but ten years purchase is regarded as a good price of a coal-mine. The value of a coal-mine depends as much on its situation, as upon its fertility. That of a metallic mine depends more upon its fertility, and less upon its situation; metals separated from the ore can bear the expence of long carriage. Their market extends to the whole world. P. 262.

The productions of *distant* coal-mines, cannot be brought in competition with one another; but the productions of the *most distant* metallic mines may; consequently the price of metals at the most fertile mines in the world affect their price at every other. After the discovery of the mines of Peru, the silver mines of Europe would not pay the expence of working. This was the case of the mines of Peru, after the discovery of those of Potosi. Hence, the greater part of mines can afford little *rent* to the landlord. P. 263.

A *sixth* part of the produce, is the average rent of the tin mines of Cornwall, and of the lead mines of Scotland. In the silver mines of Peru, the proprietor exacts only, that the undertaker shall grind the ore at his mill, paying the price of grinding. Till 1736, the tax of the King of Spain amounted to one fifth, which might be considered as the rent; many mines could not afford this tax. The tax upon cornish-tin is 1-20th, this would be rent if tin was duty free. When 1-20th is added to 1-6th, it will be

found that the rent of the tin mines to that of silver, was as thirteen to twelve. In 1736, the tax on silver was reduced to 1-10th, even this encourages smuggling, and the tax is ill paid, while that on tin being 1-20th only, is well paid. Rent, it seems is greater in the coarse, than in the precious metal. P. 264—5.

The profit to the undertaker of the silver mines in Peru, is very precarious. Mining is a lottery in which the prizes do not compensate the blanks. By law, every encouragement is given to the discovery and working of new mines. To the supposed interests of public revenue, the sacred rights of private property are sacrificed. P. 266.

Similar encouragement is given to the discovery and working of gold mines; few persons are enriched by the business. One twentieth is the whole rent paid by the gold mines of Chili and Peru. Gold is more easily smuggled than silver, both on account of its value, and on account of the way in which nature produces it. P. 267.

The *lowest price* at which the *precious metals* can be sold, must at least be sufficient to re-place the stock with the ordinary profits. Their *highest price*, is determined by the scarcity or plenty of those metals themselves, and not by that of any other commodity, as the price of coals, is by that of wood. P. 268.

The *demand* for those metals arises partly from their *utility*, and partly from their *beauty*. Excepting iron, they are more *useful* than any other metal. They are the most *cleanly* of all metals. They are fit for ornaments of dress and furniture. Their beauty is enhanced by their scarcity, especially by the rich, whose chief enjoyment of riches consists in the parade of riches. These qualities of *utility*, *beauty*, and *scarcity* are the original foundation of the high price of metals. This value

value was antecedent to their being employed as coin, and fitted them for that employment; which employment has contributed to keep up and encrease their value. P. 269.

The demand for precious stones arises altogether from their beauty, which is greatly enhanced by their scarcity. Wages and profit make up, almost the whole of their high price; only the *most fertile* mines afford rent. Since the price of precious metals and stones is regulated by their price at the *most fertile* mine, the rent of a mine is in proportion to its *relative* fertility, or to its superiority over other mines. The discovery of new mines might make those of Potosi not worth working. The most abundant mines of precious metals could add little wealth to the world; their value, being derived from their scarcity, is degraded by abundance. It is otherwise in estates above ground. The value of their produce and rent, is in proportion to their *absolute* fertility. The value of barren land is generally increased by being in the neighbourhood of the most fertile, as the great number of people maintained by the fertile lands afford a market to the produce of the barren. Whatever increases the fertility of land in producing food, increases not only its own value, but that of other lands, by creating a new demand for their produce. That abundance of food in consequence of the improvement of land, is the great cause of the demand of precious metals &c. Food constitutes the principal part of the riches of the world, and gives a value to many other sorts of riches. P. 270—3.

P A R T. III.

Of the variations in the proportion between the values of that sort of produce which always affords rent, and of that which sometimes does, and sometimes does not afford Rent.

The increasing abundance of food, in consequence of cultivation, increases the demand for the produce of land which is not food. It might therefore be expected, that there should be only one variation in the comparative values of those two different sorts of produce. The value of that sort which sometimes does, and sometimes does not afford rent, should rise in proportion to that which always affords rent ; and this has generally been the case. P. 273.

The value of a *free-stone quarry* increases, with the improvement and population of the neighbourhood. This is not necessarily the case with a *silver mine*. The market for the one can extend but a few miles ;—that of the other extends over the whole known world. The world in general must be advancing in improvement and population to raise the value of silver ; and even in that case a discovery of new mines may make the *supply* greater than the *demand*, and consequently the value of the metal must fall. P. 274.

The great market for *silver* is the commercial and civilized world. (1.) If the demand should increase faster than the supply, the value of silver must rise in proportion to that of corn. (2.) But if the supply of silver be greater than the demand, the money price of corn must become dearer. (3.) When the supply and demand increase in the same proportion, the money price of corn must continue nearly the same. These three exhaust
all

all the combinations of events which can happen in the progress of improvement ; and during the four centuries preceding the present, each has taken place in the European market. P. 275.

Digression concerning the variations in the value of silver, during the course of the four last centuries.

FIRST PERIOD.

ABOUT the year 1350, the average price of a quarter of wheat was four ounces of silver, equal to about twenty shillings of our money. By a statute of Edward III, it appears, that the moderate price of a buiſhel of wheat was half an ounce of silver. In 1309, it appears, from an account given of a feaſt at Canterbury, that wheat was twenty-one ſhillings and fix-pence per quarter. In 1262, a ſtatute was revived, called the aſſize of bread and ale, from which it ſhould ſeem that wheat was about the ſame price of twenty ſhillings per quarter. P. 276—80.

From the middle of the 14th century to the beginning of the 16th, the price of wheat gradually ſunk to about 2 oz of ſilver or 10s. of our money ; for though the *nominal price* continued, during this period, nearly the ſame, yet the *quantity of ſilver* was continually diminiſhing. P. 280.

It was enacted in 1436 that wheat might be *exported* when the price was as low as 6s. 8d. and in 1463 it was enacted that it ſhould not be *imported* if the price was not above 6s. 8d. the quarter, equal to about 13s. 4d. of our money. By the 5th of Elizabeth the exportation of wheat was allowed only when wheat was higher than
10s. per

10s per Quarter. This, therefore, was probably the moderate price of wheat in the beginning of Elizabeth's reign. In France also, and probably in the greater part of Europe, the average price of grain was *less* in the beginning of the 16th Century than in the two preceding centuries. P. 181.

This rise of silver, in proportion to that of corn, was owing either to the increasing demand of the metal;—or to the diminution of the supply. P. 282.

Some writers have supposed, that the value of silver was continually diminishing from the conquest until the discovery of the mines of America. In their observations upon the prices of corn three circumstances, seem to have misled them. (1.) In antient times rent was paid in *kind*, though at the option of the landlord to receive it in kind, or money. The payment in *kind*, exchanged for *money* was called the *conversion price*, which the safety of the tenant required to be much below the market price. (2.) They have been misled by the *slovenly* manner in which antient statutes of assize had been composed or transcribed. and (3.) By the very low price at which wheat was *occasionally* sold in antient times, supposing that if its lowest price was much lower than in later times; its ordinary price must likewise have been lower. Though it appears that in 1270 the quarter of wheat was sold for 19l. 4s. of our money. No price in the 15th and beginning of the 16th century can be found approaching to this. P. 284—8.

Fleetwood collected the prices of wheat from 1202 to 1597 and reduced them to the money of the present times. He was able to collect the prices of 80 years only

only.* From these it appears that the average price of each

* The average prices of wheat inserted by Dr. Smith at the end of the chapter will be introduced here. P. 398—406.

The average price of the quarter of Wheat, in money of the present times for the years.

for the years

for the years

for the years

for the years

for the years

for the years

Average prices of the quarter of 9 bushels of the best wheat at Windsor market from 1595 to 1764.

Average Price

For 26 years from 1595 to 1620. 2 1 6 9-13

For 16 years from 1621 to 1686. 2 10 0

For 60 years from 1637 to 1700, }
(the account of the years 1642- }
3-4-5 being omitted. 2 11 0½

For 64 years from 1701 to 1764. 2 0 6 15-32

For 10 years from 1731 to 1740. 1 17 3 1-5

For 10 years from 1741 to 1750 1 13 9 4-5

each 12 years, from the beginning of the 13th till the middle of the 16th century grows lower and lower; and that towards the end of the 16th century it begins to rise again. P. 289.

Writers have not inferred the great value of silver so much from the cheapness of corn, as of cattle, poultry, game, &c. This cheapness was not the effect of the high value of silver, but of the low value of those commodities. Silver is cheaper in Spanish America than in Europe; yet but a few years since, choice oxen were sold there for 21 pence each, and good horses for about 16s. sterling. P. 290—1.

Labour, it must be remembered is the *real measure* of the value of silver and of all other commodities. In countries thinly inhabited, the supply of cattle is greater than the demand.

In different states of society such commodities will be equivalent to very different quantities of labour: but corn, the produce of human industry, is always suited to the consumption. Equal quantities of corn, will require equal labour to produce them. Corn, therefore, will more nearly represent equal quantities of labour than cattle; and consequently will be a better measure of the value of silver. Farther, since corn is the chief sustenance of the labourer, it must be a better measure of the value of labour, consequently of silver, than cattle or butcher's meat. P. 292—3.

Writers seem also to have been misled, by the popular, but groundless notion, that silver increases with the increase of wealth, and that its value diminishes as its quantity increases. The quantity of precious metals may increase: (1.) From the increased abundance of the mines: (2.) From the increased wealth of the people, owing to the increased produce of their annual labour. The first cause is certainly connected with the diminution of
their

their value. But not so in the other case, since a greater quantity of *coin* becomes necessary to carry on trade; and more plate is generally required through mere ostentation. The price of gold and silver is higher in a rich, than in a poor country, and like every thing else it will seek the best market, that is, where it is best paid for, which will always be in proportion to the sustenance of the labourer. China is richer than Europe, and sustenance much cheaper, but the difference of the *money price of labour* is still greater, because the *real* recompence of labour is higher in Europe than in China. The *money price* of labour is lower in Scotland than in England, for the same reason; hence, the emigrations from Scotland. P. 294—7.

Gold and silver are of little value in poor countries. Among savages they are of scarce any value. In great towns, corn is dearer than in remote parts of the country, not because silver is cheaper, but because corn is dearer, from the expence of carriage: this happens to some rich commercial countries, as Holland and Genoa;—diminish the opulence of those countries;—diminish their power of supplying themselves from distant countries; while the number of inhabitants continues the same, and corn will be still dear, though silver should sink in its value. The want of *necessaries*, makes people part with their *superfluities*. The encrease of the quantities of the precious metals, from the middle of the 14th, to the middle of the 16th century, arose from the increase of wealth and improvement, and had no tendency to diminish their value in Europe. P. 297—9.

SECOND PERIOD.

IT is certain that from 1570, to 1640, silver sunk in its *real value*, and corn rose in its *nominal price*, being sold

for six and eight ounces of silver the quarter, instead of two ounces. The sole cause of this diminution of value, seems to have been the discovery of the mines of America, the effect of which was not perceived till after 1570, though the mines of Potosi had been discovered twenty years before. P. 299—301.

THIRD PERIOD.

THE value of silver seems never to have sunk lower in proportion to that of corn, than it was about the year 1636. It has been somewhat higher in the present century, and perhaps for some time before the end of the last. From 1637, to 1700, the average price of nine bushels of corn was 21. 11s. 6d. only one shilling dearer than during the sixteen years before. This small rise may be easily accounted for, (without supposing any reduction in the value of silver,) either (1) By the civil war, or (2) By the bounty granted in 1688, upon the exportation of corn. A third event must have increased the nominal price of corn, viz. the debasement of the silver coin. This evil had begun in the reign of Charles II. and had gone on increasing till 1695, at which time, the current silver coin was twenty-five per cent. below its standard value. At present, the silver coin is very much defaced, yet its value is kept up by the gold coin; but in 1695, a guinea exchanged for thirty shillings of the worn silver. P. 301—5.

In the sixty-four years of the present century, the average price of nine bushels of wheat, was two pounds and six-pence, about twenty-five per cent. cheaper than it had been during the last sixty-four years, of the last century. Hence, the value of silver seems to have risen in

in proportion to that of corn during the present century. In 1688, the average price of wheat to the grower was estimated, by Mr. Gregory King, to be three shillings and six-pence the bushel. The growers' price, is the same with what is called the contract price, made by a farmer with a dealer, for a certain number of years, which, as it saves trouble and expence, must be somewhat lower than the market price. In this same year, the bounty on exportation was granted, the *avowed* object of which was, the encouragement of tillage, though in reality it was an expedient, of the country gentlemen in parliament, to raise corn to the high price which it had frequently been sold at in the times of Charles I. and II. This bounty was to take place, till wheat was so high as forty-eight shillings the quarter, that is, twenty shillings dearer than what was then accounted the average growers' price.

In years of great scarcity, the bounty has generally been suspended, it must however have hindered the plenty of one year, from compensating the scarcity of another. Perhaps without the bounty, the state of tillage would not have been the same. This rise in the value of silver, to that of corn, has taken place in France, during the same period. But in France, the exportation of grain was prohibited till 1764. P. 306—9.

This variation in the average money price of corn, is perhaps, the effect of some gradual rise in the real value of silver in the European market. The high price of corn during these ten or twelve years past, has occasioned a *suspicion*, that the real value of silver continues to fall. It ought rather to be imputed to unfavourable seasons; and the disorders of Poland which have increased the scarcity in those countries, which used to be supplied from that market. The *low* price of corn from 1741, to 1750, may be set in opposition to

the high price during these last ten years.* The operation of the bounty which amounted in this period, to 1,514,962l. 17s. 4d $\frac{1}{2}$. must have hindered the price of corn from falling so low as it naturally would have done. P. 309—12.

The money price of labour, in Great Britain, has risen during the course of the present century, but this is the effect of the increasing demand for labour, and not of any diminution of the value of silver. P. 313.

For some time after the discovery of America, silver would continue to sell at its former price, and the profits would be very great. But it would soon be found that the annual importation could not be disposed of at this rate, consequently its price would gradually sink to its *natural* price. The profits of the mines of Peru, are now as low as they well can be, consistently with carrying on the works. The tax was originally $\frac{1}{2}$, then 1-3d, afterwards it fell to 1-5th, and at last to 1-10th: it was reduced to 1-5th, forty one years before 1545, the date of the discovery of the mines of Potosi. In ninety years, or before 1736, these mines had produced their full effect, in reducing the value of silver in Europe, as low as it could fall. This price might have fallen lower, and it might have been necessary to reduce the tax to 1-20th, to give up working the greater part of the mines. But since the discovery of America, the market for silver has been growing more extensive. P. 314. (1.) The market of Europe has become more extensive. The whole of Europe, except Spain and Portugal, has advanced considerably in agriculture and manufactures; the increasing produce of which, must have required an increase in the quantity of silver coin; and the increasing

* The reader is referred to P. 71.—where the account of these ten years is separated from the rest. He will find also, that the average of the ten preceding years is *below* the general average of the sixty-four first years of the century.

big number of wealthy individuals, must have required the like increase in the quantity of their plate. P. 316. (2.) America, is itself a new market for the produce of its own silver mines; and as its advances in agriculture, industry, and population, are extremely rapid; its demand for silver must also increase rapidly. The United States of North America; the English, Spanish, and Portuguese colonies, are altogether new markets. Even Mexico and Peru, though not new markets, are much more extensive than they ever were before. P. 316—18. (3.) The East Indies is another, and an increasing market for the produce of the silver mines of America. During the 16th century, the Portuguese were the only European nation, who traded to the East Indies. In the last century, the trade was principally divided between that nation, and the Dutch. The English and French carried on some trade with India in the last century, but it has been greatly augmented in the course of the present. And now the Swedes, Danes, and even Muscovites, trade thither. In the East Indies, the value of the precious metals, was, and still is, higher than in Europe. The abundance of food is much greater in India, than in Europe; and accordingly much more populous. Their superabundance of food enables them to give a greater quantity of it, for the precious metals, and precious stones. The mines which supplied the Indian market with the former, have been *less* abundant, and those which supplied it with the latter *more so*, than the mines which supplied the European. The precious metals, therefore, would exchange for a greater quantity of the precious stones, and a much greater quantity of food than in Europe. Both the *real*, and the *money* price of *labour*, are lower in India than in Europe. But the money price of manufactures, will be in proportion

to the money price of labour ; therefore manufactures will be lower in India than in Europe. The extent of the inland navigation in India, tends farther to reduce the price of their manufactures. Hence, it appears, that the precious metals are extremely advantageous, to carry from Europe to India. Silver is more advantageous than gold ; since the proportion between them in India, is only as ten or twelve to one, whereas in Europe, it is as fourteen or fifteen to one. P. 319—23.

The silver brought from the mines, must not only be sufficient to support the increase of coin and of plate ; but to repair the waste and consumption which takes place in all countries where that metal is used. The consumption in coin by wearing ; and in plate by wearing and cleaning is very sensible. In some manufactures, it is also considerable ; in those of Birmingham, the quantity of gold and silver, used in plating and gilding, is said to amount to 50,000l. annually. A great deal must be lost, in transporting those metals from one place to another. And in arbitrary governments, much is lost by concealing it in the earth. P. 324.

The quantity of gold and silver imported into Spain and Portugal, is about six millions sterling a year : but this is *not* equal to the whole annual produce of the mines of America ; some part is sent to Manilla, and some part is employed in a contraband trade. The *greater part* of their produce is annually imported into Cadiz and Lisbon, the consumption of Birmingham alone is equal to 1-120th part of this annual importation. Perhaps, therefore, the whole annual consumption in all the countries of the world, may be nearly equal to the whole annual produce. The remainder may be no more, or even less than sufficient to supply the increasing demand of thriving countries, which may have occasioned

oned a small rise in the price of these metals in the European market. P. 325—8.

The price of all metals varies less from year to year, than any other part of the rude produce of land, and this is owing to their durableness. Corn is soon consumed; but iron may last two or three hundred years, and silver or gold as many thousands. Different masses of corn will be in proportion to the produce of different years; but the proportion between the masses of gold in two different years, will not be much affected by any difference in the produce of the gold mines. P. 328—9.

Variations in the proportions between the respective values of gold and silver.

BEFORE the discovery of the mines of America, the value of gold to silver, was about one to ten or twelve. About the middle of the last century, the proportions were one to fourteen, or fifteen. Gold rose in its *nominal* value; and both metals sunk in their *real* value. The proportion between the quantities of gold and silver, annually imported into Europe, is as one, to twenty-two nearly. The exportation of silver to the East Indies, reduces the quantities which remain, to the proportion, ^{of} one to fourteen or fifteen, the proportion of their values. Mr Meggens supposes that the proportion between their *values*, must be the same as between their *quantities*. This is not necessarily the case with respect to other commodities. The whole quantity of a cheap commodity brought to market, is not only greater, but of greater value than the whole quantity of a dear one. This is the case with *bread*, compared with *butcher's meat*; or *butcher's meat*, compared with *poultry*. In comparing the precious metals, silver is a cheap, and
gold

gold a dear commodity; therefore the whole quantity of silver in the market, should be of *greater value* than the whole quantity of gold. A person possessing a little of both, will find the value of his silver plate, exceed that of his gold. And in most countries, except Great Britain, the *value* of the silver coin exceeds that of the gold. P. 330—3.

In one sense, perhaps gold is the cheaper metal, as it seems nearer than silver to its *lowest* price, for which it can be brought to market. The tax of the former, is only 1-20th, and that of the latter is 1-10th, in these taxes consist the rent. The profits on gold mines, are less than those upon silver mines. Gold, therefore, affording less profit, and less rent, is probably nearer to its *lowest price* than silver. The price of diamonds, and other precious stones, may be still nearer to the *lowest price*. P. 333—5.

The working of silver mines, becomes gradually more expensive on account of the depths at which the works are carried on; and the accumulated expence of drawing out the water, and of supplying them with air. These causes must, in time, (1) increase the price of the metal; or —(2) the tax upon silver must be diminished;—or (3) the increased expence must be compensated partly by one, and partly by the other of these expedients. Such reductions of the tax retard the rise of the value of silver, since many mines may be wrought, which could not be wrought before, and consequently the market will be better supplied. Notwithstanding this reduction, the value of silver seems to have risen a little in the course of the present century; though some persons think the contrary. There must, however, be a period when the annual consumption of those metals, will be equal to the annual importation. If then the importation gradually diminish,

diminish, the consumption may exceed the importation, and their value rise. P. 335—8.

Grounds of the suspicion that the value of silver still continues to decrease.

(1.) The notion, that as the quantity of the precious metals increases, with the increase of wealth, so their value diminishes, may dispose many people to suppose their value continues to fall in the European market. And (2.) the increasing price of many parts of the rude produce of land, confirms them in this opinion. But gold and silver like other luxuries, resort to the rich country, not because they are *cheaper* there than in poor countries; but because they are *dearer*. The same may be said of cattle, game, poultry, &c. they naturally grow dearer, as the society advances in wealth and improvement. It is not their *nominal* price only, but their *real* price which rises in the progress of improvement. P. 338—9.

Different effects of the progress of improvement, upon three different sorts of rude produce.

FIRST SORT.

THE first sort of rude produce of which the price rises in the progress of improvement, is that which it is scarcely in the power of human industry to multiply at all. It consists in things which nature produces in certain quantities; which are perishable; and which it is impossible to accumulate for many seasons. Such are

rare birds, and fishes; most sorts of game, wild fowl, and many other things. An increase of wealth and luxury may, by increasing the demand, raise the price of these things to any extent, but no human power can increase the supply. Hence, the price paid by the Romans in their greatest grandeur, for rare birds and fishes. This was not the effect of the cheapness of silver, but of the dearness of the rarities. P. 339—42.

SECOND SORT.

THE second sort of the rude produce, of which the price rises in the progress of improvement, is that which human industry can multiply in proportion to the demand. It consists in those useful animals and plants which, in uncultivated countries, nature produces in abundance. In the progress of improvement the quantity diminishes, while the demand for them increases. Their *real* value gradually rises, till it gets so high as to render them as profitable a produce as any thing else raised by human industry. It cannot go higher. The price of butcher's meat, consequently of cattle, must rise till it is at this height, which happened in the neighbourhood of London, about the beginning of the last century. P. 343—6.

Land cannot be completely cultivated before cattle arrive at this price. In farms too distant from any town, to carry manure from it, the quantity of *well* cultivated land must be in proportion to the quantity of manure, which will be in proportion to the stock of cattle maintained on it. Unless therefore the price of cattle be sufficient to pay rent, and profit, of well cultivated land,

land, the farmer cannot afford to pasture them upon it, much less can he afford to feed them in the stable. In such circumstances he can feed no more cattle than what are necessary for tillage, but these will not afford manure sufficient for all the land they are capable of cultivating; consequently a great part of the land must lie almost waste. Such *was* the state of Scotland till the union, in consequence of the low price of their cattle; and in many parts of that country it now continues to be so; owing (1) to the poverty of the tenants, and their not having had time to acquire stock: and (2) to their having not had time to put their lands in condition fit to maintain a greater stock. Hence, the increase of stock and the improvement of land, must go hand in hand. P. 346—8.

In all new colonies, the great quantities of waste land applied to feeding cattle, soon renders them abundant and cheap. But it must (for want of manure) be very long before cattle can be fed on the produce of cultivated land. P. 349—50.

Of all the parts of this second sort of rude produce, cattle are the *first*, which bring such a price as to render it profitable to feed them on cultivated land; for till they bring it, land cannot be perfectly cultivated. Venison perhaps is the last, otherwise feeding of deer would become an article of farming. Between that period in the progress of improvement, which brings to its height the price of cattle, and that which brings to it the price of venison, there is a long interval, in the course of which, many other sorts of rude produce will arrive at their highest price: as *poultry*, which, at present, are kept on the offals of the barn, and consequently often as cheap as butcher's meat. As luxury increases, the price of poultry rises above that of butcher's meat,

till it becomes profitable to cultivate land for the sake of feeding them. P. 351—3.

The hog, like poultry, is kept as a save-all. The rise in the price of hogs and poultry, has been imputed, and perhaps with justice, to the diminution of the number of cottagers; an event, which has been the forerunner of improvement and better cultivation. P. 354.

The business of the dairy was also *originally* carried on as a save-all. The cattle produce more milk than can be consumed by their young, and by the farmer's family. This is the most perishable of all the productions of land; part of it is made into butter, which may be stored for a year; and part into cheese, which may be kept for several years. Part of these the farmer reserves for his own family; the rest is sent to market. If the market price be very low, the business of the dairy is performed in a slovenly manner. The same causes which raise the price of butcher's meat, raise that of the produce of the dairy; this increase of price will pay for more labour and more cleanliness. At last, the price gets so high, that it becomes worth while to employ the best cultivated lands for the purposes of the dairy. To this height it has got, in most parts of England, and in some few parts of Scotland. P. 355—7.

Lands cannot be completely improved, till the price of *every* produce raised upon them, has got so high as to pay for the expence of complete cultivation: that is, (1.) To pay the *rent* of good corn land: and (2.) To replace the stock employed, with the ordinary profits. This rise in the price of each produce, must be previous to the improvement of the land destined for raising them. Gain is the end of improvement. If therefore the improvement of a country be of public advantage, the rise in the price of the different sorts of rude produce, must be a national benefit, instead of a public calamity. This
rise

rise too, in the money price of those different sorts of rude produce, has not been the effect of any degradation in the value of silver, but of a rise in their real price: P. 358.

THIRD SORT.

THE third and last sort of rude produce, of which the price naturally rises in the progress of improvement, is that in which the efficacy of human industry in augmenting the quantity, is either limited or uncertain. There are some sorts of rude produce, which nature has rendered a kind of appendages to other sorts, as wool and raw hides. The quantity of these is limited by the number of great and small cattle; these again are determined by the state and nature of agriculture. The same causes which raise the price of butcher's meat, would also raise the price of wool and hides, if in the rude beginnings of improvement, the market for the latter was confined within as narrow bounds as the former. In most cases, the market for butcher's meat is confined to the country which produces it. This is not the case with wool and raw hides. They can easily be transported to a country which may have a demand for them. In countries ill cultivated, the price of the wool and the hide, bears a great proportion to that of the whole beast. In Spanish America, horned cattle are almost constantly killed for the sake of the hide and the tallow. Therefore, though in the progress of population, the price of the whole beast rises, yet the price of the carcase is likely to be much more affected by this rise, than that of the wool or the hide; these however ought to rise somewhat, they ought certainly not to fall. P. 359—62.

English

English wool has, however, fallen very considerably since the time of Edward III. The money price then, was to the money price now, as ten to seven: the superiority of the real price was still greater. P. 363.

This degradation in the value of wool has been occasioned, (1.) By the prohibition of exporting wool from England: (2.) By the permission of importing it from Spain duty free: (3.) By the prohibition of exporting it from Ireland to any other country, but England. P. 364. From the only account we have of the value of hides in antient times, it appears, that the *real* value of ox hides in 1425, were somewhat higher than they are now. The price of raw hides is a good deal lower at present, than it was a few years ago. The average price of the present century being taken, the real price has probably been somewhat higher than it was in those antient times. P. 365—6.

Whatever regulations tend to sink the price of wool, or of raw hides, below what it naturally would be, must in an improved and cultivated country, have some tendency to raise the price of butcher's meat. The price of cattle must be sufficient to pay the rent; therefore, whatever is not paid by the wool and the hide, must be paid by the carcase. In unimproved and uncultivated countries, it would be quite otherwise. The fall in the price of the wool and the hide, must reduce the rent and the profit; under such circumstances, the perpetual prohibition of wool, would have been the most destructive regulation that could have been thought of. P. 367—9.

As the efficacy of human industry, in increasing the quantity either of wool or hides, is *limited* so far as it depends upon the produce of the country where it is exerted; so it is *uncertain*, so far as it depends upon the produce of other countries, and also upon what they do not manufacture themselves. P. 369.

The

The quantity of fish, another sort of rude produce, brought to market, is likewise limited and uncertain. It is limited by the situation of the country; its distance from the sea; and by the barrenness or fertility of those seas, as to this sort of rude produce. Besides, as population encreases, the demand will become greater, but it will generally be impossible to supply an extended market, without employing a quantity of labour greater, than in proportion to what had been requisite for supplying the confined one. The real price of this commodity, rises in the progress of improvement. Its uncertainty depends also on the local situation of the country. P. 370—1.

In encreasing the quantity of minerals and metals, which are drawn from the bowels of the earth, the efficacy of human industry seems not to be limited, but to be altogether uncertain. The quantity of precious metals in any particular country, depends (1) upon the power of purchasing; and (2) upon the fertility of the mines, which at that time supply the commercial world with those metals. So far as their quantity depends on the *former*, their real price is likely to rise with the wealth and improvement of the country, and to fall with its poverty and depression. So far as their quantity depends on the *latter*, their real price will sink in proportion to the fertility, and rise in proportion to the barrenness of those mines. The state of the mines have no connection with the industry of a country. No skill or industry can insure the discovery of new mines. In the search, there are no certain limits either to the success, or to the disappointment of human industry. It is of no importance to the *real* wealth of the world, whether new and fertile mines be discovered or not: the only difference will be in the *nominal* value, the *real* value of the annual

annual produce of the land and labour, will be the same. P. 372—5.

*Conclusion of the digression concerning the variations in
the value of silver.*

WRITERS have considered the low money price of corn, or, in other words, the high value of gold and silver in a country, as a proof of its poverty and barbarism. It is, however, only a proof of the barrenness of the mines which happened at that time to supply the world. A poor country cannot afford to pay dearer for gold and silver than a rich one. In China, the value of the precious metals is higher than in Europe: yet China is the richer country. The increase of gold and silver in Europe, and the increase of its manufactures and agriculture, happened about the same time; the former from the accidental discovery of new mines; the latter from the fall of the feudal system. Poland, where the feudal system still continues, is as poor as it was before the discovery of America. The real value of the precious metals has fallen in Poland, as in the richest parts of Europe. Spain and Portugal, the countries which possess the mines, and where these metals must be the cheapest, are, after Poland, the two most beggarly countries in Europe. P. 375—7.

As the low value of gold and silver is no proof of the wealth of a country; so neither is their high value any proof of its poverty. Though the low money price of corn be no proof of the poverty of the times, the low money price of poultry, game, &c. in proportion to that of corn, is a most decisive one. It shews, (1.) Their great abundance

abundance in proportion to that of corn: and (2.) The uncultivated state of the greater part of the lands of the country. P. 377—8.

Any rise in the money price of goods, which proceeded from the degradation of the value of silver, would affect all sorts of goods equally. But the rise in the price of provisions, does not affect all sorts of provisions, therefore it cannot be altogether owing to the degradation of the value of silver. The price of corn during the sixty-four first years of this century, has been lower than it was during the sixty-four last years of the preceding century. P. 379.

The rise in the price of some sorts of provisions, may be owing, not to any degradation in the value of silver; but to a rise in the real value of the land which produces them, to its increased fertility, or in consequence of extended cultivation, which indicates the advancing state of the country. P. 381—3.

Effects of the progress of improvement, upon the real price of manufactures.

IMPROVEMENT diminishes the real price of almost all manufactures. That of the workmanship diminishes in all of them, in consequence of better machinery, of greater dexterity, and of a more proper division of work; all of which are the effects of improvement. In some few manufactures, the rise in the real price of the rude materials, will more than compensate all the advantages which improvement can introduce into the execution of the work. The diminution of price in those manufactures, of which the materials are the coarser metals, has

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been

been remarkable. A movement of a watch can be now had for twenty-shillings, which in the middle of the last century could not have been bought for twenty pounds. The same may be said of the Sheffield and Birmingham ware. P. 384—5.

Fine woollen cloth is three or four times as cheap as it was towards the end of the 15th century: and the *coarse* is more than twice as cheap. The same will hold true in the prices of stockings. The woollen manufacture has received three capital improvements: (1.) The spinning wheel. (2.) Machines for the winding of worsted and woollen yarn. (3.) The fulling mill for thickening cloth. Neither wind nor water mills were known in England so early as the beginning of the 16th century; in Italy they had been just introduced. P. 386—90.

CONCLUSION OF THE CHAPTER.

EVERY improvement in the circumstances of the society tends either directly, or indirectly to raise the real rent of land. The extension of improvement and cultivation, and the rise in the price of the rude produce of land, tend to raise it directly. All those improvements in the productive powers of labour, which reduce the real price of manufactures; and every increase in the real wealth of the society, tend indirectly to raise the real rent of land. P. 392.

Neglect of improvement; the fall in the real price of any part of the rude produce of land; the rise in the price of manufactures; and the declension of the real wealth of the society, tend to lower the real rent of land. P. 393.

The

The whole annual produce of the land and labour of every country, naturally divides itself into ;—the rent of land ;—the wages of labour ;—and the profits of stock. The interest of the *first* of these orders is inseparably connected with the general interest of the society. If they have any tolerable knowledge of their own interest, they will never attempt to mislead the public when it deliberates upon any regulation of commerce or police. The security of their situation renders them too often ignorant and incapable of application. The interest of the *second* order, is also strictly connected with that of the society. The wages of the labourer never rise so high, as when the demand for labour is continually increasing. His employers constitute the *third* order, that of those who live by profit. But the rate of profit does *not* necessarily rise with the prosperity, and fall with the declension of the society. The interest of the third order has not, therefore, the same connection with the general interest of the society, as that of the other two ; it is sometimes different from, and even opposite to that of the public. The proposal of any new law or regulation of commerce, which comes from this order, ought not hastily to be adopted. P. 394—8,

BOOK II.

Of the nature, accumulation, and employment of stock.

INTRODUCTION.

IN the rude state of society, it is not necessary that any stock should be accumulated in order to carry on the business of the society. Every man supplies, by his industry, his wants as they occur. But when the division of labour has been thoroughly introduced, the produce of a man's own labour, can supply but a small part of his wants. The greater part must be supplied by the produce of other men's labour, which he must purchase with the price of the produce of his own. But this purchase cannot be made, till such time as the produce of his own labour has been completed and sold; during which, a stock of goods of different kinds must be stored somewhere, sufficient to maintain him, and also to supply him with the materials, and tools of his work. The accumulation of stock must be previously to the division of labour; and the subdivisions of labour will encrease in proportion only to the encreasing accumulation of stock. As the division of labour advances, the same number of people can work up a greater quantity of materials, consequently, an equal quantity of provisions, and a greater stock of materials and tools, than would have been necessary in a ruder state of things, must be accumulated before hand. As the accumulation of stock is previously necessary for carrying on this great improvement in the productive powers of labour, so that accumulation leads to this improvement. The quantity of industry not only increases with the increase of stock, but in consequence of that increase, the same quantity of industry produces a greater quantity of work. P. 407-9.

CHAP.

Of the division of stock.

THE poor man derives no revenue from his stock, his revenue is derived from his labour. P. 410.

When a man possesses much stock, he reserves only a part of it for immediate consumption, from the remainder he endeavours to derive a revenue. His stock is therefore distinguished into that which is to afford him this revenue, which is called his capital; and into that which supplies his immediate consumption; and which consists (1.) In what was originally reserved for this purpose: or (2.) In his revenue, as it comes in: or (3.) In things purchased before, such as a stock of clothes, household-furniture, &c. P. 411.

A capital may yield a revenue,—FIRST, by being employed in raising, manufacturing, or purchasing goods, and selling them again with a profit. The capital employed in this manner, affords no revenue till the goods are sold, and others purchased with the money; it is only by circulation that it can yield a profit, it may therefore be called a *circulating capital*. P. 411.

SECONDLY, it may be employed in the improvement of land, and in purchasing instruments of trade, which yield profit without changing masters. Such capitals may be called *fixed capitals*. Different occupations require different proportions, between the circulating and fixed capitals employed in them. The capital of a merchant is altogether circulating, unless his warehouse be considered as a fixed capital. Every master, artificer, or manufacturer must have some fixed capital. A taylor or a shoemaker needs but a small fixed capital: in iron works and coal mines, a large one is necessary. The instruments of agriculture are, to the farmer, his fixed capital; the wages and maintenance of his servants, his circulating capital. He makes a profit of the former by
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keeping them, and of the latter by parting with them. The price of *labouring* cattle is a fixed, their maintenance a circulating, capital. But both the price, and maintenance of cattle *bought for sale*, are circulating capitals. So also is the value of the seed; the farmer makes a profit not by its sale, but by its encrease. P. 411—13.

The *general stock of a country* is divided into the same three portions, each of which has a distinct office. The *first* is that portion which is reserved for immediate consumption, and which affords no revenue. It consists in a stock of food, cloaths, household furniture, and mere dwelling houses. These may in particular instances yield a revenue to the proprietor, but they can afford none to the public. P. 414.

The *second* portion into which the stock of a society divides itself, is the fixed capital which affords a revenue without changing masters. It chiefly consists (1.) In all useful machines and instruments of trade, which abridge labour. (2.) In buildings which are the means of procuring a revenue; as shops, farm houses, granaries, &c. (3.) In the improvements of land. And (4.) In the acquired and useful abilities of all the members of the society. P. 416.

The *third* portion into which the general stock of the society is divided, is the circulating capital which affords a revenue by changing masters. This is composed, (1.) Of the money by means of which the rest are distributed to the consumers. (2.) Of the stock of provisions which are in the possession of the butcher, farmer, &c. (3.) Of unmanufactured materials. And (4.) Of work made up and completed, but which is still in the hands of the merchant or manufacturer. Of these four parts, provisions, materials, and finished work, are either annually, or in a longer, or shorter period withdrawn from it, and

and placed either in the fixed capital, or in the stock reserved for immediate consumption. P. 417.

Every *fixed* capital is derived from, and requires to be supported by a *circulating* capital, and without which, it can yield no revenue. To maintain and increase the stock reserved for immediate consumption, is the sole end and purpose both of the fixed and circulating capitals. It is this stock which feeds, clothes, and lodges the people. Their riches or poverty depend on the abundant or sparing supplies, which these two capitals can afford to the stock for immediate consumption. These supplies are principally drawn from the produce of land, the mines, and fisheries; which afford provisions and materials, of which part is wrought into finished work, and by which are replaced the provisions, materials, and finished work continually withdrawn from the circulating capital: from mines too is drawn what is necessary for *maintaining* and augmenting that part of it, which consists in money, and which must in time be wasted and worn out. P. 418—9.

Lands, mines, and fisheries, require a fixed and a circulating capital to cultivate them, and their produce replaces with a profit, not only those capitals, but all others in the society. The farmer annually replaces to the manufacturer the provisions consumed, and materials wrought up the year before; and the manufacturer replaces to the farmer the finished work, which he had worn out in the same time. The produce of land draws the fish from the waters, and extracts minerals from the bowels of the earth. P. 420.

The produce of land, mines, and fisheries, is in the compound proportion to their fertility, and the capitals employed about them. In all countries where there is tolerable security, every man will endeavour to employ his stock in procuring *present enjoyment*, or *future profit*:

profit: in the former case, it is a stock reserved for immediate consumption; in the latter it is employed in procuring profit as a fixed or circulating capital. P. 421.

CHAP. II.

Of money considered as a particular branch of the general stock of the society, or of the expence of maintaining the national capital.

IT has been shewn that the price of every particular commodity resolves itself into some one, or other, or all of three parts: viz. the wages of labour;--the profits of stock;—and the rent of land. The same is true with regard to all the commodities which compose the whole annual produce of the land and labour of every country. The value of this whole annual produce constitutes a revenue to the inhabitants of every country. As in a private estate we distinguish between the *gross*, and the *neat* rent, so we may likewise in the revenue of all the inhabitants of a great country. P. 423.

The gross rent of a private estate comprehends what is paid by the farmer; the neat rent, is what remains after deducting the expence of management, repairs, &c. or what he can afford to place in his stock reserved for immediate consumption. His real wealth is in proportion to his neat rent. P. 424.

The gross revenue of all the inhabitants of a great country comprehends the whole annual produce of their land and labour; the neat revenue what remains free after deducting the expence of maintaining: (1.) Their fixed capital: and (2.) Their circulating capital, or what, without inroaching on their capital, they can place in their stock reserved for immediate consumption. Their real wealth too is in proportion to their neat

neat revenue.—That the expence of maintaining the fixed capital must be excluded from the neat revenue of the society is evident, since the materials necessary for machines, instruments of trade, profitable buildings &c. can make no part of it. The intention of the fixed capital is to encrease the productive powers of labour. The expence properly laid out in the fixed capital is always repaid with great profit, and may be compared to that of repairs in a private estate. When by a proper direction the expence is diminished, the gross rent will be the same as before, and the neat rent is necessarily augmented. P. 425—6.

Of the four parts which compose the circulating capital, *money, provisions, materials, and finished work*; the three last are regularly withdrawn from it, and placed either in the fixed capital of the society, or in their stock reserved for immediate consumption. Whatever part goes to the latter makes a part of the neat revenue of the society. P. 427.

The circulating capital of an individual is totally excluded from making any part of his neat revenue, which must consist altogether in his profits. But the circulating capital of a society is not excluded from making a part of their neat revenue. The whole goods in a merchant's shop cannot be placed in his stock reserved for immediate consumption, but they may in that of other people, who may replace their value to him without diminishing his capital or theirs. P. 428.

MONEY, therefore is the only part of the circulating capital of a Society the maintenance of which can occasion any diminution in their neat revenue. As it affects the revenue of the Society it bears a near resemblance to the fixed capital. For

I. As machines and instruments of trade, so also money requires certain expences first to make, and afterwards to support, which expences make a part of the gross revenue, but are deductions from the neat revenue

of the Society. *Money*, instead of augmenting the stock reserved for immediate consumption, is employed in supporting the expensive instrument of commerce, by means of which every individual has his subsistence distributed to him. P. 428.

II. As instruments of trade make no part either of the gross or neat revenue, so money, by means of which the whole revenue of the society is distributed among all its members, makes no part of that revenue. The wheel of circulation is different from the goods circulated by means of it. The revenue of a Society consists altogether in those goods, and not in the wheel which circulates them. In computing the revenue of any society, we must always, from their whole annual circulation of money and goods, deduct the whole value of the money. The following considerations will make this evident.—When we speak of any particular sum of money, we either mean the number of metal pieces of which it is composed, or the quantity of goods which it will purchase. Now the wealth which it denotes is equal only to one of these values, and to the latter more properly than the former. Thus a weekly pension of a guinea will purchase for any person, a certain quantity of subsistence. In proportion as this quantity is great or small so is his real revenue. It does not consist in the piece of gold, but in what he can exchange it for. Though the revenue of all the inhabitants of any country may be paid them in money, their real riches must be in proportion to the quantity of consumable goods which they can purchase with this money. The whole revenue of all of them cannot be equal to both the money, and the goods, but only to one of those values, and to the latter more properly than to the former. The amount of the metal pieces annually paid to an individual may be precisely equal to his revenue; but the amount of metal pieces which circulate in a Society can never be equal to the revenue of all its members. Money

ney, therefore, the great wheel of circulation, like all other instruments of trade, though it makes a part of the capital, makes no part of the Revenue of the Society to which it belongs. P. 429—33.

III. As every saving in the expence of the instruments of trade, which compose the fixed capital, is an improvement in the neat revenue of the society, so is every saving in the expence of collecting and supporting that part of the circulating capital which consists in money.—The whole capital of every man must be either fixed, or circulating; the smaller the one, the greater must be the other. Every saving in the expence of maintaining the fixed capital, must increase the fund which puts industry into motion, and consequently must increase the real revenue of the society. P. 433.

The substitution of *paper* in the room of gold and silver money, replaces a very expensive instrument of commerce with one less costly. In what manner it tends to increase the revenue of the society requires some explication. There are several sorts of paper money; the notes of banks and bankers are best known. When the people have such confidence in any banker as to believe that he is always ready to pay upon demand such of his notes as are presented to him, these notes come to have the same currency as gold and silver money. P. 434.

A particular banker lends notes, we shall suppose, to the extent of 100,000*l*. As those notes serve all the purposes of money, his debtors pay him interest for them, which is the source of his gain. Though he has notes to the extent of 100,000*l*. in circulation; 20,000*l*. in gold and silver may frequently be sufficient for answering occasional demands. Thus 80,000*l*. of gold and silver can, in this manner, be spared from the circulation of the country. And the whole circulation may be conducted with a fifth part only of the gold and silver which would otherwise have been requisite. P. 435.

Suppose the circulating money of a country to amount to one million sterling, that sum being sufficient for circulating the whole annual produce of their land and labour :—If then bankers issued notes to the extent of one million, reserving 200,000*l.* in their coffers to answer occasional demands, there would remain in circulation 1,800,000*l.* of paper and money together. But, one million sterling, is sufficient to circulate the annual produce of the land and labour. The other 800,000*l.* being the sum over and above what can be employed in the circulation of the country, will seek profitable employment abroad. But the *paper* cannot go abroad, Gold and silver therefore to the amount of 800,000*l.* will be sent abroad, and the channel of home circulation will remain filled with a million of paper, instead of metal which filled it before. The quantity of money sent abroad will be exchanged for foreign goods, to supply the consumption either of some other foreign country or their own.

In the former case, whatever profit is made, will be an addition to the neat revenue of their own country. If they employ it in purchasing foreign goods for home consumption, they may either (1.) Purchase such goods as will be consumed by idle people who produce nothing, as foreign wines, silks &c. or (2.) They may purchase materials, provisions &c. to employ and maintain an additional number of industrious people. So far as it is employed in the first way, it is injurious to the Society. So far as it is employed in the second way, it promotes industry, and encreases the revenue of the Society. The greater part of the Gold and Silver employed in purchasing foreign goods for home consumption, *must* be employed in purchasing those of the second kind. Since the demand of idle people, for foreign goods, being the same, or nearly the same as before, a very small part of the money forced abroad by the operations of banking is likely to be employed in purchasing foreign goods for their use.

P. 436—9.

In computing the quantity of industry which a circulating capital can employ, regard must be had only to those parts which consist, in *provisions, materials, and finished work*. Money, which serves to circulate these, must be deducted. Industry is put into motion by materials to work on;—tools to work with;—and wages. Though the workman is commonly paid with money, his real revenue consists not in the money, but in the money's worth. The quantity of industry which a capital can employ must be equal to the number of workmen whom it can supply with materials, tools, and maintenance. Money may be necessary to purchase these, but, the quantity of Industry cannot be equal to the money, and also to the things purchased; but only to one of those two values, and to the latter more properly than the former. P. 440.

When paper is substituted in the room of gold and silver, the quantity of materials, tools, and maintenance, which a circulating capital can supply may be encreased by the whole value of gold and silver, which used to be employed in purchasing them. The value of the wheel of circulation is added to the goods circulated. The proportion which the circulating money bears to the annual produce of any country has been computed at a fifth, tenth, and even at a thirtieth: but whatever it be, it must bear a considerable proportion to that part destined for the maintenance of industry. When therefore paper supercedes, suppose four fifths of the circulating gold and silver, and the greater part of that four fifths be applied to the maintenance of industry, it must make a considerable addition to the quantity of industry, consequently to the annual produce of land and labour. P. 441.

An operation of this kind took place some years ago in Scotland, by the erection of new banking companies, by means of which, it has been said, that the trade of Glasgow

gow has been doubled, and that of Scotland more than quadrupled. P. 442.

The value of the gold and silver money which circulated in Scotland in 1709, was about a million sterling: this was the *whole* circulation of that country. It cannot *now* be less than two millions, of which, the amount of gold and silver does not amount to half a million. The real riches of Scotland have not suffered, by this diminution of the circulating gold and silver. The annual produce of their land and labour has evidently been augmented. P. 442—3.

The profit of banks, and bankers, principally consists in advancing their own notes, in discounting bills of exchange, deducting legal interest 'till the bills become due. They have also another method of issuing their own notes, by granting *cash accounts* to the extent of a certain sum, to any individual, who can give sufficient security for the repayment when demanded. In Scotland, the sum so borrowed, may be paid by any installments, however small. All men of business therefore, find it convenient to keep such cash accounts, and are thereby interested to promote the trade, and support the credit of those banking companies. By means of these cash accounts, the merchant can carry on a greater trade than he otherwise could; as he is able to employ all his own capital in trade, without reserving any part of it in his coffers, for occasional demands. P. 444—7.

The whole paper money of every kind, which can circulate in any country, can never exceed the *value* of the gold and silver, of which it supplies the place. If at any time it should exceed that sum, the excess will almost immediately return upon the bankers, to be exchanged for gold and silver, which may be rendered useful abroad, though paper could not. There will therefore be a run upon the banks, to the *whole extent* of this superfluous paper, and if any difficulty were
shewn

shewn in payment, the alarm would increase the run.
P. 448.

Over and above common expences, those of a bank consist: (1.) In keeping a large sum of money in their coffers to answer occasional demands, from which they receive *no* interest: and (2.) In replenishing those coffers as fast as they are emptied. A bank issuing more paper than can be employed in the circulation of the country, ought to increase its quantity of gold and silver, not only in proportion to this excessive increase of their circulation, but in a much greater proportion, which increases the *first* article of expence. Their coffers too, though they ought to be filled much fuller, yet must empty themselves faster than if their business was confined within more reasonable bounds. The coin drawn from them will not lie idle, but be sent abroad, which will enhance the *second* article of expence.
P. 449—50.

By issuing too great a quantity of paper, the Bank of England was, for many years, obliged to coin gold to the extent of 850,000*l.* a year, at a loss of more than 2½ per cent. giving 4*l.* per ounce for the bullion, and issuing it in guineas at 3*l.* 17*s.* 10½*d.* the ounce. The Scotch banks by a similar excess have been, frequently, at the expence of *collecting* money at two per cent. and paying ¼ per cent. for carriage; besides being put to other very considerable inconveniences. The gold coin was paid by the bank in exchange for that part of their paper, which was over and above what could be employed in the circulation of the country, and being above what could be employed in that circulation, it was melted down or sent abroad, and sold again to the bank at 4*l.* an ounce. Hence, the necessity of the great annual coinage to supply the bank of England. The overtrading of some bold projectors, was the original cause of this excessive circulation of paper money.
P. 451—4.

A bank

A bank can advance, with propriety, to a merchant, that part of his capital, which he would otherwise be obliged to keep by him unemployed, and in ready money for answering occasional demands. If the paper money never exceeds this value, it can never exceed the quantity which the circulation of the country can easily employ. When a bank discounts bills of exchange, drawn by *real* creditors, upon *real* debtors, and which are paid when due, little or no expence can be necessary for the replenishing its coffers. P. 155.

A merchant, without over-trading, may frequently have occasion for a sum of ready money, even when he has *no* bills to discount. When a bank advances him such sums upon the easy terms of the banking companies of Scotland, it dispenses him entirely from the necessity of keeping any part of his stock unemployed. The bank, however, should carefully observe, whether in short periods, the repayments of such customers be regular, and equal to the advances made to them. If they are, it may safely continue to deal with them, but not otherwise. The banking companies of Scotland, were for a long time careful to require frequent and regular repayments from all their customers. By this attention, they not only saved much extraordinary expence of replenishing their coffers, but gained two other advantages. (1.) By this attention, they were enabled to form a tolerable judgment concerning the thriving or declining circumstances of their debtors: and (2.) They secured themselves from the possibility of issuing more paper money, than what the circulation of the country could easily employ. P. 456—9.

When, by the conveniency of discounting bills, and of cash accounts, creditable traders can be dispensed from the necessity of keeping any part of their stock unemployed, they can reasonably expect no farther assistance from banks and bankers. A bank cannot, consistently with its own interest, advance to a trader the whole, or
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even a great part of the *circulating capital* with which he trades, since the returns would be too slow to suit the conveniency of a bank. Still less could it afford to advance him any considerable part of his fixed capital, for in this, the returns are still slower. Traders may with *propriety*, carry on a considerable part of their projects with borrowed money, provided their own capital be sufficient to ensure that of their creditors, should the success of their projects fall short of expectation. Even with this precaution, the money should *not* be borrowed of a bank, but of private people who propose to live upon the interest of their money, without any trouble of employing the capital. P. 460—1.

When the banking companies of Scotland had given all the assistance to traders which they ought to give, or even some-what more, the traders were not satisfied: they thought the banks bound to supply their own deficiencies, and to provide whatever capital they wanted to trade with. This the banks refused, and the traders had recourse to the expedient of *drawing and re-drawing*; this practice shall be explained. P. 462—3.

Money is more readily advanced upon bills of exchange, than upon any other species of obligation, owing to the privileges attaching to them. If, when a bill becomes due, the *acceptor* does not pay it, he becomes from that moment a bankrupt. The same happens to the *drawer*, and even to all who have *endorsed* it, if they fail in payment, this renders bills of exchange the best paper security. A trader—A in Edinburgh, we shall suppose, draws a bill upon B in London, payable two months after date. In reality B owes nothing to A, but accepts A's bill upon condition, that before the term of payment, he shall re-draw upon A for the same sum together with *interest and commission*. This practice has sometimes gone on for years, the bill always returning upon A in Edinburgh, with the accumulated interest and commission. The interest was five per cent. for the
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year, and the commission never less than $\frac{1}{2}$ per cent. on each draught. The commission repeated six times in the year, whatever money A might raise by this expedient, must have cost him at least eight per cent. This practice was called raising money by circulation. The ordinary profits of stock, in the greater part of mercantile projects, could not support this interest. The bills which A drew upon B, he discounted two months before they became due, with some bank in Edinburgh: and the bills which B re-drew upon A, he discounted with the bank at London. Whatever was advanced upon these bills was advanced in paper. Though the bills upon which this paper had been advanced, were all repaid when due, yet the value upon the *first* bill was never *really* returned; because before each bill was due, another was drawn to a greater amount. This payment was therefore fictitious. P. 464—8.

The paper which was issued upon those circulating bills of exchange, amounted often, to the *whole fund* destined for carrying on some vast project. The greater part of the *paper* was, consequently, over and above the value of the gold and silver, which would have been circulated in the country, had there been no paper money, and upon that account it immediately returned upon the banks, in order to be exchanged for gold. P. 469.

When two people who are continually drawing and re-drawing, discount their bills with the same banker, he must immediately discover, that they are trading with his capital, not with their own. But when they discount their bills, with different bankers, the discovery is not so easy, more especially when the same two persons run the round of a great circle of projectors. When a banker had even made this discovery, it might be too late, he might find that by refusing to discount more bills of the projectors, he would make them bankrupts, and perhaps ruin himself. He must therefore gradually
make

make the difficulties of discounting greater, in order to get out of the circle, and to force the projectors to have recourse to other bankers. The difficulties which the bank of England, the bankers of London, and the more prudent bankers of Scotland began, when all had gone too far, to make about discounting bills, enraged the projectors in the highest degree, for whose relief a *new bank* was expressly established. It was the avowed principle of this bank, to advance upon reasonable security the *whole capital*, which was to be employed in those improvements, of which the returns are most flow. By this means it issued great quantities of its notes, which, being for the most part over and above what the circulation of the country could employ, returned to be exchanged for gold and silver as fast as they were issued. By this method they were, in a few months, driven to the ruinous expedient of drawing upon London, and when the bill came due, paying it together with interest and commission, by another draught upon the same place. And in about two years they stopt payment, when they had in circulation 200,000*l.* in notes, and bills of exchange, to the value of 600,000*l.* This bank had thus advanced in two years, 800,000*l.* at five per cent. interest; for 600,000*l.* of which they paid upwards of eight per cent. consequently losing three per cent. upon three fourths of all their dealings. P. 469—74.

By means of this bank, projectors had a temporary relief afforded to them; and the other banks easily got out of the circle. But in the long run, the distress, which this bank meant to relieve, was greatly increased. Had this operation proved practicable, and even profitable to the bank as a mercantile company, the country could have derived no benefit from it. The money to be lent could not have been augmented. P. 475—7.

That the industry of Scotland, languished for want of money to employ it, was the opinion of the famous Mr. Law. By establishing a bank of a particular kind, he

imagined paper might be issued to the amount of the whole value of all the lands in the country. Scotland did *not* adopt his project. With some variations it was adopted in France. The idea of the possibility of multiplying paper money to almost any extent, was the foundation of the Mississippi scheme, the most extravagant project both of banking and stock-jobbing, the world ever saw. P. 478.

The BANK OF ENGLAND, is the greatest bank of circulation in Europe; it was established by Act of Parliament, in 1694. At that time it advanced to government, 1,200,000*l.* at eight per cent. interest, and 4000*l.* a year for the expences of management. In 1697, it was allowed to increase its capital to 2,201,171*l.* 10*s.* for the support of public credit; bank-notes having been, in the preceding year, at twenty per cent. discount, and during the great recoinage of silver, which was going on at the same time, the bank had stopt the payment of its notes. In pursuance of the 7th of Anne, the bank paid into the Exchequer, 400,000*l.* making in all 1,600,000*l.* for which it continued to receive only the 96,000*l.* interest, and 4000*l.* for management. By the same Act, the bank cancelled Exchequer bills, to the amount of 1,775,027*l.* 17*s.* 10*d.* at six per cent. interest, and was allowed to double its capital. In 1708, therefore the capital of the bank amounted to 4,402,343*l.* and it had advanced to government, 3,375,027*l.* 17*s.* 10*d.* and in 1710, the bank capital amounted to 5,559,995*l.* 14*s.* 8*d.* By the 3d, George I. the bank delivered up two millions of Exchequer bills to be cancelled. It had therefore advanced to government, 5,375,027*l.* 17*s.* 10*d.* In 1722, the bank purchased stock of the south-sea company, to the amount of 4,000,000*l.* and increased its capital by 3,400,000*l.* At this time the bank had advanced to the public, 9,375,027*l.* 17*s.* 10*d.* for which it *received* interest; and its capital stock, upon which it *paid* dividends, amounted to 8,959,995*l.* 14*s.* 8*d.* In 1746, the money advanced to
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the public was 11,686,800*l.* and its capital was 10,780,000*l.* And by the 4th of George III, the bank paid 110,000*l.* for the renewal of its charter. The dividend of the bank has varied at different times. The stability of the bank of England, is equal to that of the British government. All that it has advanced to the public must be lost, before its creditors can sustain any loss. It acts as a great state engine. It receives and pays a great part of the annuities, which are due to the creditors of the public. It circulates exchequer bills, and it advances to government the annual amount of the land and malt taxes. In these operations it has frequently over-stocked the circulation with paper money. It discounts bills, and has on many occasions supported the credit of the principal houses of England, Hamburgh, and Holland. Upon other occasions, this great company has been reduced to the necessity of paying their notes in six-pences. P. 479—82.

It is not by augmenting the capital of the country, but by rendering a greater part of that capital productive, than would otherwise be, that the most judicious operations of banking can increase the industry of the country. The gold and silver money which circulates in a country, is, like the ready money of a dealer, all dead stock. It is a valuable part of the capital of a country, which produces nothing to the country. It may be compared to a highway, which carries grass and corn to market, but itself produces neither: and the judicious operations of banking, by providing a waggon way through the air, enable the country to convert a great part of these high-ways into good corn and pasture lands, and therefore to increase the annual produce of its land and labour. The commerce and industry of a country may be thus augmented, but they are not altogether so secure, as on the solid ground of gold and silver. Besides, they are more liable to several accidents, which no prudence can prevent. A successful
invasion

invasion would occasion much greater confusion in a country, where the circulation was carried on chiefly by paper, than in one where the greater part of it was carried on by means of gold and silver. P. 483—5.

The circulation of every country may be considered as divided into two branches; the circulation of dealers with one another, and that between dealers and their customers. Each requires a certain stock of money. The whole of the goods circulated between the dealers, can never exceed the whole of those circulated between dealers and consumers. The former requires *large* sums for each transaction; the latter frequently requires only small sums. But the small ones circulate much faster than the large ones. Therefore the annual circulation of the consumers may require a smaller quantity of money. P. 485—6.

Where there are no bank notes under 10l. paper money will confine itself chiefly among the dealers: but where bank notes are issued for 20s. and under, paper money extends itself to a considerable part of the circulation between dealers, and consumers. Where paper money is chiefly confined to dealers, there is plenty of gold and silver. But where it makes a considerable part of the circulation between dealers and consumers, it banishes gold and silver out of the country. P. 487—8.

Though paper money should be principally confined to the circulation between dealers, yet banks might give nearly the same assistance to the industry of a country, by discounting real bills, and by lending on cash accounts. P. 489.

Paper money consisting of notes, issued by people of undoubted credit, and payable on demand, is equal to gold and silver money. Nor does it necessarily increase the money price of commodities: for the quantity of gold and silver taken from the currency, is always equal to

to the quantity of paper added to it. It would be otherwise with paper money, consisting of promissory notes, the immediate payment of which was made, in any respect, conditional. When it was optional with the bankers of Scotland to pay their notes immediately on demand, or six months after presentment, with legal interest, they were at a discount. P. 492.

In Yorkshire, the paper currencies were degraded below the value of gold and silver; for some times the payment even of six-pence, depended upon the condition that the holder of the note, should bring change for a guinea. P. 493.

The paper currencies of North America, consisted formerly in government paper, which was not exigible till several years after it was issued. But 100l. payable fifteen years hence at six per cent. is equal only to about 40l. ready money. To oblige a creditor to accept of this for 100l. was downright fraud. Hence, the equity of the law which declared that no paper currency should be deemed a legal tender of payment: The paper money of *Pensylvania*, never sunk below the value of gold and silver. This colony however, raised the denomination of its coin, ordering five shillings sterling to pass for six shillings and three-pence, under pretence of preventing the exportation of coin. It was found however, that the price of goods imported, rose exactly in proportion as the denomination of coin was raised, which was exported as fast as ever. P. 493—5.

If a certain proportion of the taxes *must* be paid in paper, and the bank were careful to keep the quantity of paper somewhat below what could be employed in this manner, the demand for it might be such as to make it bear a premium. P. 496.

A paper currency which falls below the value of gold and silver coin, does not sink the value of those metals. The proportion between the value of the precious metals and that of goods, depends on the richness or poverty
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of the mines which happen at any particular time to supply the great market of the commercial world; and also on the labour necessary to bring the metals, and the goods to market. P. 497.

The multiplication of bankers, who are restrained from issuing notes under a certain sum, and who are also subjected to the obligation of the immediate and unconditional payment of those notes, increases the security of the public. The competition obliges *all* to be more circumspect in their conduct. And the circulation being divided into a greater number of parts, the failure of any one company becomes of less consequence to the public.

P. 498-9.

END OF THE FIRST VOLUME.

VOLUME II,

BOOK II,

CHAP. III.

Of the accumulation of Capital, or of productive and unproductive Labour.

PRODUCTIVE labour as that of the manufacturer, adds to the value of the subject on which it is bestowed. *Unproductive* labour as that of the menial servant, has no such effect. The manufacturer is no expence to his master, his wages being restored with a profit. The maintenance of a menial servant never is restored. The labour of the latter, however, has its value.—The labour of the manufacturer realizes itself in some vendible commodity which lasts after the labour is past:—that of the menial servant perishes in the very instant of performance. P. 1—2.

The labour of some of the most respectable orders in society is like that of menial servants. The sovereign, and all the officers of justice and war, are unproductive labourers. They are servants of the public, and maintained by the industry of the people. Their service produces nothing for which an equal quantity of service can afterwards be procured. In the same class must be ranked, churchmen, lawyers, physicians, men of letters; players, buffoons, opera singers, &c. P. 3.

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Productive

Productive, and unproductive labourers, and those who do not labour at all, are all maintained by the annual produce of the country. This produce has its limits, and is the effect of productive labour. The annual produce of the land, and labour of every country divides itself into two parts: one of which is destined for renewing the *provisions, materials, and finished work*, which had been withdrawn from the capital; the other for constituting a revenue either as profit of stock, or as rent of land. The former is employed to maintain productive hands only. The latter may maintain either productive or unproductive hands.

Unproductive labourers, and those who do not labour at all, are all maintained by revenue; either (1.) by that part of the annual produce originally destined for constituting a revenue to particular persons, as rent of land, or profits of stock; or (2.) by that which though originally destined for replacing a capital, and for maintaining productive labourers only, yet when it comes into their hands, whatever part is above their necessary subsistence, may be employed in maintaining either productive or unproductive hands. Thus the landlord, merchant, and even workman, may maintain a menial servant, or go to a play, and so contribute towards maintaining one set of unproductive labourers; or he may pay taxes, and thus help to maintain another set equally unproductive. The rent of land, and the profits of stock are therefore the principal sources from which unproductive hands derive their subsistence.
P. 4—6.

The proportion between the productive, and unproductive hands, depends upon the proportion between that part of the annual produce which is destined for replacing a capital, and that which is destined for constituting a revenue. This proportion is very different in rich, and poor countries.—At present in the opulent countries of Europe, a very large portion of the produce

duce of the land is destined for replacing the capital of the farmer; the other for paying his profits, and the rent of the landlord. But antiently, under the feudal government, a very small portion of the produce was sufficient to replace the capital employed in cultivation; it consisted only in a few wretched cattle, which also generally belonged to the landlord. In the present state of Europe the share of the Landlord seldom exceeds a third, sometimes not a fourth part of the whole produce of the land. P. 7—8.

Manufactures, now, require great capitals; formerly very small capitals were sufficient; but their profits must have been great, as the rate of interest was no where less than 10 per cent. At present the rate of interest is no where greater than 6 per cent. and in some parts it is as low as 2 per cent. The profit of stock is greater in a rich than in a poor country, because the stock is much greater;—in proportion to the stock, the profits are generally less. That part of the annual produce destined for replacing a capital, is greater in rich than in poor countries, and bears a greater proportion to that which is immediately destined for constituting a revenue either as rent or profit. The proportion between the funds destined for the maintenance of productive labour, and those which are employed in supporting unproductive labour, determines, in every country, the character of the inhabitants, as to industry or idleness. We are more industrious than our forefathers, because the funds destined for the maintenance of industry, are much greater in proportion to those likely to be employed in the maintenance of idleness, than they were two or three hundred years ago. In manufacturing towns the inferior people are in general industrious;—in towns principally supported by the residence of a court, they are generally idle. In a city where a great revenue is spent, it is difficult to employ a capital with advantage, for any other purpose than supplying the consumption of that

city. The idleness of the greater part of the people corrupts the industry of those who ought to be maintained by the employment of capital. The proportion between the capital, and revenue, therefore, seems every where to regulate the proportion between industry and idleness. P. 9—11.

CAPITALS are increased by parsimony, and diminished by prodigality. Parsimony, and not industry, is the immediate cause of the increase of capital. Parsimony, by increasing the fund destined for the maintenance of productive hands, tends to encrease the number of those hands whose labour adds to the value of the subject on which it is bestowed. This gives an additional value to the annual produce. P. 13.

What is annually saved is as regularly consumed as what is annually spent, but by a different set of people. What a rich man *spends* is consumed by idle guests, and menial servants. What he saves, being employed as a capital, is consumed by labourers, manufacturers, &c. who produce with a profit, the value of their annual consumption. P. 14.

By what a *frugal* man annually saves, he affords maintenance to an additional number of productive hands, and establishes, as it were, a perpetual fund for the maintenance of an equal number in time to come. The *prodigal*, by diminishing the funds destined for the employment of productive labour, diminishes the quantity of that labour, and the value of the annual produce of the land and labour of the whole country, the real wealth and revenue of its inhabitants. Though the expence of the prodigal be altogether in *home-made* commodities, and therefore not occasioning any exportation of gold and silver, its effect upon the productive funds of the society would still be the same. If the quantity of food and clothing consumed by unproductive, had been distributed among productive hands, they would have reproduced, together with a profit, the full value

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of their consumption. There would have been two values instead of one;—the same quantity of money would have remained in the country, and a reproduction of an equal value of consumable goods. P. 15—16.

The same quantity of money cannot remain in any country in which the value of the annual produce diminishes. The sole use of money is to circulate consumable goods; its quantity must, therefore, be determined by the value of the goods circulated. Their value must diminish as the value of the annual produce of the country diminishes, and along with it the quantity of money which can be employed in circulating them. But the money thrown out of domestic employment, will be sent abroad to purchase goods which may be of use at home. P. 17.

The quantity of money, on the contrary, must increase, as the value of the annual produce increases: for the value of the consumable goods annually circulated being greater, will require a greater quantity of money to circulate them. A part of the increased produce, therefore, will naturally be employed in purchasing the additional quantity of gold and silver necessary for circulating the rest. Whether, therefore, the real wealth of a country consist in the value of the annual produce of its land and labour; or, as vulgar prejudices suppose, in the quantity of the circulating precious metals, every prodigal appears to be a public enemy, and every frugal man a public benefactor. P. 18.

The effects of misconduct are often the same as those of prodigality. Unsuccessful projects tend in the same manner to diminish the funds destined for the maintenance of productive labour, though the capital is consumed by productive hands only, yet they do not reproduce the full value of their consumption. The circumstances of a great nation cannot be much affected by the prodigality or misconduct of individuals. The principle which prompts to expence, is the passion for present

sent enjoyment, which in general is but momentary, or occasional. But the principle which prompts to *save*, is the desire of bettering our condition, which never leaves us: accordingly the principle of frugality seems to predominate very greatly. With regard to misconduct, the number of successful undertakings is every where much greater than that of unsuccessful ones. P. 19—20.

Great nations are never impoverished by *private*, though they sometimes are by *public* prodigality and misconduct. Almost the whole of the public revenue, in most countries, is employed in maintaining unproductive hands. Such are the persons who compose a *court*;—an ecclesiastical establishment;—fleets and armies. If these are multiplied to an unnecessary number, they may consume so large a share of the annual produce as to encroach on the capital destined for the maintenance of productive labour. In most cases, the constant effort of every man to better his condition, the principle from whence national as well as private opulence is derived, is sufficiently powerful to maintain the progress of improvement in spite of the extravagance and errors of government. P. 21.

The annual produce of land and labour can be increased in its value by no other means, but by increasing the number of productive labourers, or the productive powers of those labourers already employed. The number of labourers cannot be increased, without increasing the funds destined for maintaining them. Nor can the productive powers of the same number be increased without some improvements to abridge labour. In either case an additional capital is almost always required. If then the annual produce of a country is greater at one period, than at a former one, it must be in consequence of an increase of its capital, and that more must have been added to it, by the good conduct of some, than has been taken from it either by the misconduct of others, or by the extravagance of government.

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Such will be found the present state of England, if compared with what it was at the restoration, of Charles II. though within that space of time have happened the fire, and the plague of London;—two Dutch wars;—the disorders of the revolution;—the war in Ireland;—the four expensive French Wars of 1688, 1702, 1742, 1756 together with the two rebellions of 1715 and 1745.* In the course of these events the nation cannot have contracted less than 200,000,000*l.* of debt.† So great a share of the annual produce, has, since the revolution been employed in maintaining an extraordinary number of unproductive hands. Had not these wars given this particular direction to so large a capital, the greater part of it would have been employed in maintaining productive hands. The value of the annual produce would have been considerably increased every year; and the real wealth and revenue of the country might, by this time, have been raised to a height of which we can have no conception. But though the profusion of government has retarded the progress of England to improvement, still its annual produce is greater than it was at the restoration, or at the revolution. The capital must likewise be greater; which, in the midst of all the exactions of government, has been accumulated by the frugality of individuals. Hence the impertinence and presumption of sumptuary laws. Kings and ministers are the greatest spendthrifts in the society. If their own extravagance does not ruin a state, that of their subjects never will. P. 22—7.

Some modes of expence, seem to contribute more to the growth of public opulence than others. The revenue

* To which may be added the madness and wickedness of the American war; and the war with France, which posterity may possibly pronounce, even more mad, and more wicked than that. Ed.

† The national debt at present, (April 1797) cannot be less than FOUR HUNDRED MILLIONS of pounds sterling. Ed.

nue of an individual may be spent, either in things consumed immediately, as in a sumptuous table, in maintaining a great number of servants, horses, &c. Or it may be spent in things more durable, and which may be accumulated, as in buildings, furniture, books, pictures, or in jewels, trinkets, fine clothes, &c. Were two men of equal fortune to spend their revenue, the one chiefly in one way, the other in the other; the magnificence of the person whose expence had been chiefly in durable commodities, would be continually increasing, that of the other would be no greater at the end of the period than at the beginning. The former would be the richer of the two. He would have a stock of goods worth something. As one mode of expence is more favourable than the other to the opulence of an individual, so it is likewise to a nation. The houses, the furniture, the clothing of the rich, in a little time, become useful to the inferior ranks of the people. P. 28—9.

The expence too which is laid out in durable commodities, is favourable to *frugality* as well as accumulation. If a person should at any time exceed in it, he can easily reform without exposing himself to censure. P. 30.

The expence, besides, that is laid out in durable commodities, gives maintenance, commonly, to a greater number of people, than that which is employed in the most profuse hospitality. In the one way, this expence maintains productive, in the other unproductive hands. In the one way, therefore, it increases, in the other, it does not increase, the exchangeable value of the produce of the land and labour of the country. P. 31,

C H A P. IV.

Of stock lent at interest.

THE stock which is lent at interest is considered as a capital by the lender. The borrower may use it either as a capital, or as a stock reserved for immediate consumption. If he uses it as a capital, he employs it in the maintenance of productive labourers; and can restore the capital and pay the interest without encroaching upon any other source of revenue, which he cannot do if he uses it as a stock reserved for immediate consumption. P. 33.

Stock lent at interest is occasionally employed in both these ways, but in the former more frequently than in the latter. A man of common prudence will lend a part of his stock only to those who will employ it profitably. Even among borrowers, the number of the frugal and industrious surpasses that of the prodigal and idle. Stock is sometimes lent to country gentlemen upon mortgage. What they borrow is commonly spent before they borrow it. P. 33—4.

Loans at interest are made in money, either of paper, or of gold and silver. But what the borrower wants, and what the lender supplies, is not the money, but the goods which it can purchase; the lender assigns to the borrower his right to a certain portion of the produce of the country to be employed as the borrower pleases. The quantity of stock, or, as it is usually expressed, of money which can be lent at interest in any country, is not regulated by the value of the money, but by the value of that part of the annual produce, which is destined not only for replacing a capital, but such a capital as the owner does not care to be at the trouble of employing himself. Such capitals constitute what is called the monied interest. It is distinct from the landed, and also from the trading interests, as in these last the own-

ers themselves employ their own capitals. Even in the monied interest, the money is but the deed of assignment which conveys from one hand to another, those capitals which the owners do not care to employ themselves. Those capitals may be greater in almost any proportion, than the amount of the money which serves as the instrument of their conveyance; the same pieces of money successively serving for many different loans, as well as for many different purchases. P. 35—6.

In proportion as that share of the annual produce which is destined for replacing a capital increases in any country, the monied interest increases with it. As stock increases, the quantity of stock to be lent at interest grows gradually greater. As the quantity of stock to be lent at interest increases, the interest diminishes. For as capitals increase in any country, the profits diminish, and it becomes more difficult to find a profitable method of employing any new capital. Hence the competition between different capitals, which sinks the profits of stock. The demand also for productive labour increases, by the increase of the funds destined for maintaining it. This raises the wages of labour. But when the profits of a capital are thus diminished, the rate of interest must be diminished with them. P. 37—8.

Mr. Locke, and other writers suppose, that the increase of gold and silver, by the discovery of the Spanish mines, was the cause of the lowering the rate of interest throughout Europe. Before the discovery of the Spanish West Indies, 10 per cent. was the common rate of interest. It has since that time sunk to 6, 5, 4, and 3 per cent. Suppose the value of silver has sunk precisely in the same proportion as the rate of interest, and that in countries where interest has been reduced from 10 to 5 per cent. the same quantity of silver can now purchase half the quantity of goods which it could have purchased before: even upon this supposition, it is impossible that
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the lowering the value of silver could have the smallest tendency to lower the rate of interest.

Whatever causes lowered the *value* of the capital must have lowered that of interest, and in the same proportion. The proportion between the *value* of the capital, and that of the interest must have remained the same, though the *rate* had never been altered. By altering the *rate*, the proportion between the two values is necessarily altered. If 100 pounds now are worth no more than 50 were then; 5*l.* can be worth no more than 2*l.* 10*s.* By reducing the rate of interest from 10 to 5 per cent. we give for the use of a capital equal to *half* its former value, an interest equal to one *fourth* only of the value of the former interest.

Any increase in the quantity of silver, could have no other effect than to diminish the value of that metal. The *nominal* value of goods would be greater, but their real value would be precisely the same as before. The capital of the country would be the same, though a greater number of pieces might be requisite for conveying any equal portion of it from one hand to another. The funds for maintaining productive labour being the same: wages, therefore, though nominally greater, would really be the same. The profits of stock, which are not computed by the *number* of pieces of silver with which they are paid, but by the *proportion* which those pieces bear to the whole capital employed, would be the same both nominally and really. So also would the common interest of money. P. 39—41.

Any increase in the quantity of commodities annually circulated, while the money remained the same, would produce other effects besides that of raising the value of money. The capital of the country would be augmented. The quantity of productive labour which it could maintain would be increased. Wages would rise, the profits of stock would be diminished, as would the in-

terest of money which always keeps pace with the profits of stock. P. 42.

In some countries the interest of money is prohibited by Law. This regulation, instead of preventing, has increased the evil of usury ; the debtor being obliged to pay for the use of money, and for the *risk* which his creditor runs by accepting a compensation for that use. In other countries the law fixes the highest rate which can be taken without incurring a penalty. This rate ought always to be somewhat *above* the lowest market price. If this legal rate be fixed below the lowest market rate, it will be the same as a prohibition of interest.

The legal rate ought not to be much above the lowest market rate. If the legal rate of interest in Great Britain was fixed at 8 or 10 per cent. the greater part of the money lent, would be lent to prodigals, and projectors, who alone would be willing to give this high interest. No law can reduce the common rate of interest below the lowest ordinary market rate at the time when the law is made. P. 43—5.

The ordinary market price of land, depends upon the ordinary market rate of interest. The superior security of land, disposes a man to be content with a smaller revenue from land, than what he might have by lending out his money at interest. When interest was at 10 per cent. land was commonly sold for 10 or 12 years purchase. As interest sunk to 6 and 4 per cent. the price of land rose to 20 and 30 years purchase. P. 46.

CHAP. V.

Of the different employment of Capitals.

A CAPITAL may be employed four different ways :
 (1.) In procuring the rude produce annually required
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for the use and consumption of the society : or (2.) In preparing that rude produce for consumption ; or (3.) In transporting rude or manufactured produce from places where they abound, to those where they are wanted : or (4.) In dividing particular portions of either into such small parcels as suit the demands of those who want them.—Each of these four methods of employing a capital, is necessary to the existence or extension of the other three, or to the general convenience of the society. —The capital employed in furnishing rude produce is necessary to trade and manufactures :—that employed in manufacturing the rude produce is necessary to supply the demand.—Unless a capital was employed in transporting either rude or manufactured produce from one place to another, no more could be produced than was necessary for the consumption of the neighbourhood.—Unless a capital was employed in dividing certain portions of the produce into small parcels, every man would be obliged to purchase a greater quantity of goods than he wanted. P. 46—9.

The persons whose capitals are employed in any of these four ways are productive labourers. Their labour realizes itself in the vendible commodity on which it is bestowed, and adds to its price the value, at least, of their own maintenance and consumption. Equal capitals employed in each of those four different ways, will put in motion different quantities of productive labour. The capital of the *retailer* replaces, with its profits, that of the merchant. The capital of the *merchant* replaces, with their profits, the capitals of the farmers and manufacturers. His capital too employs sailors and carriers. Part of the capital of the master manufacturer is employed as a fixed capital in the instruments of his trade, and replaces with its profits, that of the artificer who makes them :—part of his circulating capital purchases materials of the farmer ;—but the greater part is distributed among workmen. P. 50—1.

No equal capital puts into motion a greater quantity of productive labour than that of the *Farmer*. His cattle and servants are productive labourers; NATURE also labours along with man, at no expence, but its produce has its value. The operations of agriculture seem intended to *direct*, rather than increase the fertility of nature. Over and above the capital of the farmer and its profits, there is the reproduction of the rent to the landlord, which sometimes is a *third* of the whole produce. No equal quantity of productive labour employed in manufactures, can occasion so great a reproduction. Hence a capital employed in agriculture, is most advantageous to society. P. 52 —3.

The capitals employed in agriculture and the retail trade must reside within the society;—that of the merchant has no fixed residence. The capital of the manufacturer must reside where the manufacture is carried on, but this may be at a great distance from the place where the materials grow, or the manufactures are consumed. Part of the wool of Spain is manufactured in Great Britain, and the cloth sent back to Spain. Whether the merchant whose capital exports the surplus produce of any society, be a native or foreigner, is of no other importance, than the difference of the value of the annual produce of that one man. It is of more consequence that the capital of the manufacturer should reside within the country, as it puts a greater quantity of productive labour into motion. P. 54—5.

A country, like an individual, may frequently not have sufficient capital to cultivate its lands, and manufacture its rude produce; and to transport the surplus part either of the rude or manufactured produce to distant markets. In this situation of things agriculture is to be preferred, and then manufactures. P. 56.

The country which has not capital sufficient for all those three purposes, has not arrived at that degree of opulence for which it seems naturally destined. To attempt

tempt, however, with an insufficient capital, to do all three is not the shortest way to acquire a sufficient one.—The capital of all the individuals of a nation, is increased by adding to it what they save out of their revenue: it will increase the fastest when it is employed in the way which affords the greatest revenue, which is in proportion to the annual produce of their land and labour. P. 57.

By agriculture, America has made rapid progress towards wealth and greatness. The course of human prosperity seems scarce ever to have been of so long continuance as to enable any great country to acquire capital sufficient for all three purposes.—Thus the capital of any country will put into motion a quantity of productive labour in proportion as it is employed in agriculture, manufactures and wholesale trade.—The difference is also very great according to the different sorts of wholesale trade in which any part of it is employed. P. 58—9.

All wholesale trade may be reduced to (1.) The *home trade* which is employed in purchasing in one part of the same country, and selling in another. (2.) The *foreign trade of consumption*, which is employed in purchasing foreign goods for home consumption. (3.) The *carrying trade* which is employed in transacting the commerce of foreign countries.

The capital employed in the *first* generally replaces two distinct capitals employed in supporting productive labour. The capital which sends Scotch manufactures to London, brings back English corn and English manufactures.

The capitals employed in the *second*, likewise replace two capitals, but one only of them is employed in supporting domestic industry: consequently the capital employed in it, can give, *at most*, but one half the encouragement to the industry of the country, as that employ-
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ed in home trade. Foreign goods for home consumption may be purchased with other foreign goods; these last, however, must have been purchased with the produce of domestic industry; the effects, therefore, of a capital employed in such a round about foreign trade, are the same as those of one employed in the most direct trade, except that the final returns are more distant. Whatever be the foreign commodity with which the foreign goods for home consumption are purchased, it can occasion no essential difference either in the nature of the trade, or in the support it can give to the productive labour of the country from which it is carried on. If they are purchased with gold and silver, these must have been first purchased with the produce of the industry of the country. Owing to the small bulk, and great value of the precious metals, they may have the advantage, over other commodities, in a round about foreign trade. P. 60—4.

That part of the capital which is employed in the carrying trade of any country, is withdrawn from supporting the productive labour of that country, to support that of foreign countries. Though it may replace by every operation two distinct capitals, yet *neither* belongs to that particular country. If this trade is carried on by ships and sailors of that particular country, part of the capital puts in motion a certain number of productive labourers of that country: this is generally the case, but not necessarily so. The carrying trade is supposed to be highly advantageous to Great Britain; though the same capital might be employed in the foreign trade of consumption, or even in the coasting trade. The number of sailors, and ships do not depend on the nature of the trade. The trade from Newcastle to London, employs more shipping than all the *carrying trade* of England.

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The capital, therefore, employed in the *home trade* gives greater encouragement to domestic industry, than that employed in the *foreign trade of consumption*; and the capital employed in this latter trade, has a still greater advantage over an equal capital employed in the *carrying trade*. Each, however, is not only advantageous but necessary. Without exportation, a part of the productive labour of the country must cease, and the value of its annual produce diminish. In Great Britain more corn, woollens, and hard ware are produced than the demand requires. The surplus part must be sent abroad and exchanged for something for which there is a demand at home. If the foreign goods thus purchased, exceed the demand of the home market, the surplus must be sent abroad again, and exchanged for something more in demand at home. Thus the foreign round about trade may be as necessary as the most direct. P. 65—8.

When the capital stock of any country is increased to such a degree, that it cannot be all employed in supplying the consumption, and supporting the productive labour of that country, the surplus part disgorges itself into the carrying trade.—The carrying trade is the *effect* of national wealth, not the natural cause of it. Holland the richest country in Europe, has the greatest share of the carrying trade. P. 69.

The extent of the *home trade*, and of the capital employed in it, is limited by the value of the surplus produce of all those distant places within the country which exchange their respective productions with one another. That of the *foreign trade of consumption*, by the value of the surplus produce of the whole country, and of what can be purchased with it:—that of the *carrying trade*, by the value of the surplus produce of all the different countries in the world. Private profit, and not

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public good, determines the owner of a capital to employ it either in agriculture, or in manufactures. Therefore where agriculture is the most profitable of employments, the capitals of individuals will be employed in the manner most advantageous to society.

P. 70-2.

BOOK III.

OF THE DIFFERENT PROGRESS OF OPULENCE IN DIFFERENT NATIONS.

CHAP. I.

Of the natural Progress of Opulence.

THE great commerce of every civilized society, is that carried on between the inhabitants of the town, and those of the country. The town in which there is no reproduction of substances, gains its whole wealth from the country : but the country is no loser, the gains are reciprocal, and the division of labour is advantageous to all the persons employed. The inhabitants of the *country* purchase of the town a greater quantity of manufactured goods, with the produce of a smaller quantity of labour, than they must have employed had they prepared them themselves. The *town* affords a market for the surplus produce of the country. The greater the number and revenue of the inhabitants of the town, the more extensive is the market which it affords to those of the country ; the more extensive the market, the more advantageous it is to a great number. The cultivation of the lands in the neighbourhood of a great town shews how much the country is benefited by the commerce of the town. P. 73—4.

As subsistence is prior to luxury, so the industry which procures the former, must be prior to that which ministers to the latter. Therefore the cultivation of the country must be prior to the increase of the town. Towns may derive their subsistence, in part, from distant countries, which occasions considerable variations

in the progress of opulence. If human institutions had not thwarted the natural inclinations, the towns could no where have increased beyond what the cultivation of the territory in which they were situated could support. Upon equal profits, most men would chuse to employ their capitals rather in the cultivation of land, than either in manufactures, or in foreign trade. The capital employed in land is more under the command of its owner, and is less liable to accidents, than that of the trader.

Without the assistance of *artificers*, land cannot be cultivated. These need the assistance of each other, and not being tied down to a precise spot, they form among themselves a small town or village. The inhabitants of the town, and those of the country are mutually the servants of one another. The town is a continual market, where rude produce is exchanged for that which is manufactured. This commerce supplies the inhabitants of the town, with the materials of work, and the means of their subsistence. The quantity of finished work which they sell to the inhabitants of the country, regulates the quantity of the materials and provisions which they buy. Their employment and subsistence can augment only in proportion to the demand from the country for finished work; which demand will be in proportion to the extension of cultivation. In America where land is cheap, manufactures for *distant sale* have never yet been established in their towns. But in countries where land is dear, every artificer, who has acquired more stock than can be employed in the neighbourhood, endeavours to prepare work for more distant sale. P. 75—8

For the same reason, where profits are nearly equal, manufactures are preferred, for the employment of a capital, to foreign commerce. In every period of society, the surplus part of the produce must be sent abroad in order to be exchanged for something for which there is a demand

mand at home. If the society has not sufficient capital to cultivate all its lands, and to manufacture all its rude produce, there is an advantage that it should be exported by a *foreign* capital ; that the whole stock may be employed in more useful purposes. P. 79.

According to the *natural* order of things, the greater part of the capital of every growing society is, first, directed to agriculture, then to manufactures, and last of all to foreign commerce. This natural order of things has been inverted in the modern states of Europe. P. 80.

CHAP. II.

Of the discouragement of Agriculture in the antient states of Europe after the fall of the Roman Empire.

WHEN the German and Scythian nations over-ran the western provinces of the Roman Empire, confusions were introduced which lasted several centuries, during which the principal leaders of those nations acquired the greater part of the lands of those countries. This original engrossing of the lands introduced the laws of *primogeniture*, and *entails*, which prevented them from being divided by *succession*, or *alienation*. When land, like moveables, is considered as the means only of subsistence and enjoyment, it is divided among all the children of the family. Such was the law of succession among the Romans. But when it was considered as the means of power and protection, as in those times when every great landlord was a prince, and his tenants were his subjects, it descended undivided to one. Among the children of the same family there can be no indisputable difference

difference, but that of *sex*, and that of *age*. The male is preferred to the female ; and the elder takes place of the younger. Hence the origin of the right of primogeniture. In the present state of Europe, the proprietor of a single acre of land is as secure of his possession as the proprietor of a hundred thousand, nevertheless the right of primogeniture continues to be respected, though nothing can be more contrary to the real interest of a numerous family. **ENTAILS** are the natural consequence of the law of primogeniture. They were unknown to the Romans ; and in the present state of Europe nothing can be more absurd. They are founded on the supposition that every successive generation of men have not an equal right to the earth, and all that it possesses. P. 81—5.

Great tracts of uncultivated land were thus engrossed by particular families without a possibility of their being divided. It seldom happened that a great proprietor, was a great improver. In the disorderly times he was sufficiently employed in defending his own territories. When the establishment of law affords him leisure, he often wants inclination, and almost always abilities. To improve land with profit requires an exact attention to small savings, of which a man born to a large fortune is seldom capable. His situation disposes him to attend to ornament rather than profit ;—his revenue is not sufficient to improve his whole estate in this manner, consequently a great part will go unimproved. The present condition of large estates will shew how very unfavourable extensive property is to improvement. P. 85—6.

If little improvement was to be expected from great proprietors, still less was to be hoped for from the occupiers, who were tenants at will. They were a species of slaves, who were supposed to belong to the land who could not marry but with the consent of their masters ; and who were incapable of acquiring property. The improvement of the land was at the expence of the proprietor.

proprietor. The seed, the cattle, the instruments of husbandry were all his. This species of slavery still subsists in Poland, and many parts of Germany. Improvements are least of all to be expected when slaves are employed as workmen, who not being able to acquire property, can have no interest but to eat as much, and labour as little as possible. Experience demonstrates that the work done by slaves is the dearest of any. Sugar, and Tobacco can afford the expence of slave cultivation; the raising of corn cannot. P. 87—9.

To the slave cultivators of antient times succeeded a species of farmers who were furnished with the whole stock by the proprietor, and with him divided equally the produce. It could not be the interest of these cultivators to lay out any of their own little stock in the improvement of land, because the lord who laid out nothing was to get one half of whatever it produced. The tithe is even found to be a great hindrance to improvement. This species of tenants still subsists in Scotland, called steel-bow tenants. P. 90—2.

To this species of tenants succeeded farmers properly so called, who cultivated land with their own stock, paying a certain rent to the landlord. When such farmers have a lease for a long term of years, it may be their interest to lay out a part of their capital in improvement. The possession of such farmers was, and still is very precarious in many parts of Europe, they not having sufficient security against the landlord. By the law of England the security of the tenant is equal to that of the proprietor. In England also most of the yeomanry possess freeholds, which render the whole order respectable on account of the political consideration which these give them. The laws and customs favourable to the yeomanry have contributed more to the present grandeur of England than all the boasted regulations of commerce taken together. P. 93—4.

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The law which secures the longest leases against successors of every kind is peculiar to Great Britain. Its beneficial influence has been obstructed by *entails*. The proprietors of land were antiently the legislators of every part of Europe. The laws relating to land, therefore, were all calculated for the supposed interest of the proprietor. The farmers too, besides paying the rent, were antiently bound to perform a number of services to the landlord, which subjected them to many vexations. They were also bound to many *public services*: such as making and repairing high roads;—and providing horses, provisions, and carriages for the king's troops when they passed through the country. The *public taxes* to which they were subject, were as oppressive as the *services*. The antient lords easily allowed the sovereign to tallage their tenants, without foreseeing how it would affect their own revenue. The *taille* in France may serve as an example of antient tallages. It is a tax upon the supposed profits of the farmer, which they estimate by the stock that he has upon the farm. This tax hinders the accumulation of stock, and is besides looked upon as dishonourable to the persons subject to it. The antient tenths and fifteenths in England, seem to have been taxes of the same nature of the *taille*. P. 94—6.

Under all these discouragements little improvement could be expected from the occupiers of land, who, with all the security which law can give, must always improve under great disadvantages. The *farmer* is as a merchant who trades with borrowed money, the proprietor one who trades with his own. The station of the former is inferior to that of the proprietor; and in the greater part of Europe the yeomanry are regarded as inferior even to tradesmen and mechanics. In such a state of things, little stock is likely to go from any other professions to the improvement of land in the way of farming

farming. The antient policy of Europe was farther unfavourable to the improvement of land. (1.) By the prohibition of the exportation of corn: and, (2.) By the restraints laid upon inland commerce by the absurd laws against engrossers, regraters, and forestallers, and by the privileges of fairs and markets. P. 97—9.

CHAP. III.

Of the rise and progress of cities and towns, after the fall of the Roman Empire.

THE inhabitants of cities and towns were, after the fall of the Roman Empire, not more favoured than those of the country. The proprietors of land generally lived in fortified castles on their own estates, and in the midst of their dependants. The towns were inhabited by tradesmen and mechanics of servile condition, as is evident from the privileges granted to many of them by charter. They seem to have been a poor set of people, resembling the pedlars and hawkers of the present times, subject to certain taxes, known by the names of *passage*, *pontage*, *lastage*, and *stallage*. Sometimes the king, sometimes a great lord granted to particular persons a general exemption from these taxes, these were called *free traders*. They in return paid an annual poll tax. P. 99—101.

The inhabitants of towns arrived at independency earlier than the occupiers of land in the country. Poll taxes used commonly to be let in farm, sometimes to the sheriff, and sometimes to the burghers themselves, who being answerable for the whole rent, were allowed to collect it their own way. At first the farm of a town was let for a term of years: afterwards it was granted to them *in fee*, that is for ever, reserving a rent certain

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never to be augmented. The payment becoming perpetual, the exemptions became perpetual too ; the town therefore was called a free-burgh. At the same time they were generally erected into a corporation, with the privileges of having magistrates, and a town-council of their own, and of making bye laws for their own government, of building walls for their own defence, and of reducing the inhabitants under a sort of military discipline. In England they were exempted from suit to county courts, and other services. It must appear extraordinary, that sovereigns should thus have erected a sort of independent republic in the heart of their own dominions. But they were not able themselves to protect all their weaker subjects from the oppressions of the great lords. Those who could not protect themselves sought protection from some great lord, and to obtain it became his vassals. The inhabitants of cities and burghs, by entering into a league of mutual defence, were capable of making resistance. The lords despised the burghers, and envied their wealth, of which they plundered them on every occasion. The burghers hated and feared the lords: the king hated and feared them too. Mutual interest, therefore, disposed them to support the king, and the king to support them against the lords ; hence he granted them those privileges which rendered them secure and independent. The princes who lived upon the worst terms with their barons, were the most liberal in grants to their burghs. Such was John of England. Philip the First of France consulted his bishops, concerning the most proper way of restraining the violence of his lords, who advised, (1.) To establish magistrates and a town-council in every considerable town of his demesnes : (2.) To form a new militia of the inhabitants of those towns. P. 102—7.

The militia of the cities was not inferior to that of towns, and as they could be more readily assembled, they frequently had the advantage of the lords. In
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strong countries, situated at a distance from the seat of government, the sovereign came to lose all his authority, the cities became independent republics, and obliged the nobility to pull down their castles in the country, and live, like other peaceable inhabitants, in the city. Such is the history of Berne, &c. in Switzerland, and of most of the Italian republics. In France and England, the authority of the sovereign was never entirely destroyed. Though the cities could not attain to independence, yet the sovereign could not impose any tax upon them without their consent. They, therefore, sent deputies to the general assembly of the states of the kingdom, that they might join with the clergy and barons, in granting extraordinary aid to the king. Hence the origin of the representation of burghs in the states general of all the monarchies in Europe. P. 107—8.

Thus were the liberty and security of individuals established in cities when the occupiers of land in the country were exposed to every sort of violence. In the *defenceless* state men content themselves with bare subsistence, because to acquire more might tempt the injustice of their oppressors. The law at that time was so indulgent to the inhabitants of towns, and so desirous of diminishing the authority of the lords over those of the country, that if a person running away from the country, could conceal himself from his lord in a town, for a year, he was free for ever. Whatever stock accumulated in the hands of the industrious inhabitants of the country, took refuge in cities, for the sake of security. P. 109.

The inhabitants of a city must ultimately derive their subsistence from the country. But if the city be on the sea coast, they may draw it from the remote corners of the world, by exchanging the manufactured produce of their own industry; or by performing the office of carriers between distant countries. In this manner a city might attain to splendor and wealth, while the neigh-

bouring country was in poverty and wretchedness. The cities of Italy were the first in Europe raised by commerce to opulence. Italy lay in the centre of the civilized world. The crusades were favourable to the progress of some Italian cities, by employing their shipping, and encouraging their trade. P. 110.

The commerce of a great part of Europe, in those times, consisted chiefly in the exchange of their own rude, for the manufactured produce of more civilized nations. The wool of England used to be exchanged for the wines of France, the fine cloths of Flanders, &c. Thus a taste for the finer manufactures was introduced by foreign commerce, into countries where no such works were carried on. And when the taste became general, manufactures of the same kind were established in their own country. No large country can subsist without manufactures; even in poor countries the clothing and household furniture are the produce of their own industry. P. 111.

Manufactures fit for distant sale seem to have been introduced two ways. (1.) They are sometimes the offspring of foreign commerce. Such were the silks and velvets of Lucca, banished from thence by the tyranny of Castracani, and established in 1310, with many privileges, at Venice. Such also are the silk manufactures of Spital-fields. Manufactures thus introduced are generally employed upon foreign materials, being imitations of foreign manufactures. (2.) Manufactures for distant countries sometimes grow up naturally, by the gradual refinement of the coarser manufactures: these are generally employed upon materials which the country produces; and have been first improved in *inland* countries. Fertile inland countries produce abundance of provisions, which encourages workmen to settle in the neighbourhood. They give a new value to the surplus part of the rude produce. The cultivators get a better price for their surplus produce, which encourages them

them to encrease that surplus by the better cultivation of the land. The manufacturers first supply the neighbourhood, and as their work improves, more distant markets: for though coarse manufactures would not support the expence of a considerable land carriage, the refined may. In this manner have grown up the manufactures of Leeds, Birmingham, Sheffield, &c. they are the offspring of agriculture. P. 112—16.

CHAP. IV.

How the commerce of the towns contributed to the improvement of the country.

THE encrease and riches of towns contributed to the improvement of countries, (1.) By affording a ready market for the rude produce of the country. (2.) The wealth acquired in cities was often employed in purchasing lands. Merchants becoming country gentlemen, are frequently the best improvers. And, (3.) commerce and manufactures gradually introduced order and good government, and with them the liberty and security of individuals. P. 117—19.

In a country which has neither foreign commerce, nor finer manufactures, a great proprietor consumes the greater part of the produce of his lands in rustic hospitality. He is surrounded with a multitude of dependants, who must obey him as soldiers obey the prince who pays them. Before the extension of commerce in Europe, the hospitality of the rich and great exceeded every thing which we can imagine. Westminster-hall was the dining room of William Rufus; and the great Earl of Warwick is said to have entertained every day at his different manors 30,000 people. The occupiers of land were entirely dependent upon the great proprietor;

for ; such as were tenants at will paid a rent in no respect equivalent to the subsistence which the land afforded them ; a sheep, or a lamb was, some years ago, in the Highlands of Scotland, a common rent for lands which maintained a family. Upon the authority which the proprietors had, in such a state of things, over their tenants and retainers, was founded the power of the antient barons. They became judges in peace, and leaders in war. They could maintain order and execute law. The king was little more than the greatest proprietor in his dominions, to whom, the others paid certain respects. He was therefore obliged to abandon the administration of justice, through the greater part of the country, to those who were capable of administering it ; and, for the same reason, to leave the command of the country militia to those whom that militia would obey. The highest jurisdictions both civil and criminal ;—the power of levying troops ;—of coining money ;—of making laws for the government of their own people, were all rights possessed by the great proprietors, long before feudal law was known in Europe. The authority of the Saxon lords was as great before the conquest as that of any Norman lords after it. But the *feudal* law was not the common law of England till after the conquest. P. 119—23.

The introduction of the feudal law may be regarded as an attempt to moderate the authority of the great allodial lords. It established a regular subordination from the king to the smallest proprietor. During the minority of the proprietor, the rent, and management of his lands, fell into the hands of his immediate superior ; and those of all great proprietors, into the hands of the king, who was charged with the maintenance and education of the pupil, and who had a right of disposing of him in marriage. This institution tended to strengthen the authority of the king, yet he was still incapable of restraining the violence of the great lords. They continued

tinued to make war upon each other, and often upon him. Foreign commerce and manufactures brought about what feudal institutions could never have effected. These furnished the great proprietors with something which they could consume themselves, without sharing it with their tenants. "*All for ourselves,*" has been the vile maxim of the masters of the world. As soon, therefore, as they could find a method of consuming the value of their rents themselves, they had no disposition to share them with other persons. For the gratification of vanities they bartered their whole power and authority. P. 124—5.

In a country where there is no foreign commerce, nor any of the finer manufactures, a man of ten thousand a year, cannot well employ his revenue in any other way than in maintaining 1000 families, who are all at his command. But in the present state of Europe, a man may spend ten thousand a year without *directly* maintaining 20 people. *Indirectly* he maintains, perhaps, a greater number of people than he could have done by the antient method of expence. He generally contributes, however, but a small proportion towards the maintenance of each. A tradesman or artificer derives his subsistence from the employment of 100 or 1000 different customers; to all of whom he is obliged, but is dependent upon none of them. The personal expence of the great proprietors having gradually increased, the number of their retainers was diminished; and their unnecessary tenants dismissed. Farms were enlarged, and the occupiers reduced to the number necessary for cultivating the land. Manufacturers furnished the proprietor with a method of spending more upon his own person, which made him desirous of raising his rents above what his lands could afford; this the tenants could not agree to but upon the condition, that they should be secured in their possession for such a term of years as might pay for the further improvement of the land.

land. Hence the origin of long leases. Even a tenant at will, who pays the full value of the land, is not altogether dependent upon the landlord. The pecuniary advantages are mutual. But if he has a long lease he is entirely independent. The tenants having in this manner become independent, the great proprietors were no longer capable of disturbing the peace of the country. An established government was established there as well as in the city. P. 126—8.

In commercial countries very old families are rare ; but in countries which have little commerce, they are common. In countries where a rich man can spend his revenue only by maintaining as many people as it can maintain, he is not apt to run out. But where he can spend the greatest revenue upon his own person, he knows no bounds to his expence. P. 129.

A *revolution* of the greatest importance to the public happiness was in this manner brought about, by those who had no intention to serve the public. *Vanity* was the motive of the *proprietors* ;—*Interest* that of the *merchants*. Neither foresaw the revolution bringing about by the folly of the one, and the industry of the other. Thus the commerce and manufactures of the cities through the greater part of Europe, instead of being the effect, have been the cause of the improvement of the country. This order, being contrary to the natural course of things, is slow and uncertain. Compare the slow progress of those European countries, of which the wealth depends upon their commerce and manufactures, with the rapid advances of North America, of which the wealth is founded in agriculture. In Europe the number of inhabitants is not doubled in less than 500 years ; in America it is found to double in 25 years. In Europe the law of primogeniture prevents the division of lands, and thereby hinders the multiplication of small proprietors, who are in general the best improvers. This circumstance keeps land up to a monopoly price.

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The rent never pays the interest of the purchase-money, which prevents a number of capitals from being employed in the improvement of land. In America the purchase and improvement of land is the most profitable employment of a capital. P. 130—2.

England, on account of the natural fertility of its soil, the extent of the sea-coast, and its conveniency of water carriage, seems fitted for the seat of foreign commerce. From the beginning of the reign of Elizabeth, the legislature has been peculiarly attentive to the interest of its commerce and manufactures. Commerce and manufactures have accordingly been advancing during all this period, so have the cultivation and improvement of the country also, though not so rapidly. The greater part of the country was cultivated before the time of Elizabeth; and a great part still remains uncultivated, and the cultivation of the greater part is inferior to what it might be. The law of England favours agriculture, by encouraging the exportation of corn;—by prohibiting the importation of cattle;—and by rendering the yeomanry secure and independent. P. 133—4.

France had a considerable share of foreign commerce near a century before England. The cultivation of France is inferior to that of England. The foreign commerce of Spain and Portugal is considerable; but it has never introduced any considerable manufactures for distant sale into either of those countries, and the greater part of both still remains uncultivated. Italy has been improved in every part, by means of foreign commerce and manufactures for distant sale. It was well cultivated before the invasion of Charles VIII. P. 135—6.

The capital acquired to any country by commerce and manufactures is an uncertain possession till a part of it has been realized in the improvement of lands. A merchant is not the citizen of any country; a trifling

disgust will make him remove his capital from one country to another. No vestige remains of the wealth of the Hans towns; it is uncertain where some of them were situated. The civil wars of Flanders, and the Spanish government, chased away commerce from Antwerp, Ghent, and Bruges. But Flanders continues to be one of the richest and best cultivated provinces of Europe. Ordinary revolutions dry up the sources of wealth which arise from commerce only. That which arises from agriculture is more durable. P. 136—7.

BOOK IV.

Of systems of political æconomy.

INTRODUCTION.

POLITICAL æconomy proposes *two* distinct objects: (1.) To provide subsistence for the people; and, (2.) To supply the state with a revenue sufficient for public services. The different progress to opulence in different ages, has given occasion to two systems of political æconomy, with regard to enriching the people. The one a system of *commerce*, the other that of *agriculture*. P. 138.

CHAP. I.

Of the principle of the commercial or mercantile system.

THAT wealth consists of gold and silver is a popular notion arising from the double function of money, as the *instrument of commerce*, and as the *measure of value*. As the instrument of commerce, with money we can obtain what we have occasion for. As the measure of value, we estimate that of all other commodities, by the quantity of money which they will exchange for. P. 139.

A rich country is supposed to be a country abounding in money. The first enquiry of the Spaniards, when they arrived upon any unknown coast, used to be, if there were gold and silver in the neighbourhood. The object of the Tartars was the same as that of the Spaniards, but their enquiries were, if there were plenty of *sheep and oxen* in France. They wanted to know if

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the country was worth conquering. Mr. Locke considered gold and silver as the most substantial part of the moveable wealth of a nation. Others admit that if a nation could be separated from all the world, it would be of no consequence how much, or how little money circulated in it; but that it is different with countries which have connections with foreign nations. In consequence of these opinions, all the nations of Europe have endeavoured to accumulate money, and have, at different periods, prohibited the exportation of the precious metals. The merchants found this prohibition inconvenient, and remonstrated against it (1.) As tending to diminish, rather than increase the quantity of those metals in the kingdom: (2.) Because the prohibition could not prevent the exportation; but only make it more difficult and expensive: And (3.) That an attention to the *balance of trade* was the only way to prevent the exportation of gold and silver: for that the exchange was turned against the country which owed the balance. The two first arguments were solid, but the last was sophistical. They carried however conviction to the persons, to whom they were addressed, and who knew nothing about the matter: and the prohibition of exporting gold and silver was, in France and England, confined to the coin of those respective countries: and, in Holland, and some other places, this liberty extended even to the coin of the country. Thus the attention of government was turned away from guarding against the exportation of gold and silver, to watch over the balance of trade. From one fruitless care, it was turned away to another care more intricate, more embarrassing, and equally fruitless. P. 140—7.

A country that has no mines of its own must draw its gold and silver from foreign countries in the same manner as one that has no vineyards must draw its wines. Like other commodities they are to be bought. All other commodities are the price of those metals. The quantity

quantity of every commodity suits itself to the effectual demand, but no commodity regulates itself more easily according to this demand than gold and silver, on account of their small bulk. When the quantity of gold and silver imported into any country exceeds the effectual demand, no vigilance can prevent their exportation. It is partly owing to the easy transportation of gold and silver that their price does not fluctuate like that of other commodities. P. 148—50.

There are more expedients for supplying the place of gold and silver than that of almost any other commodity. If materials are wanted, industry must stop. If provisions are wanted the people must starve. But if money is wanted, *barter* will supply its place. To watch over the preservation of the quantity of money in a country is therefore, unnecessary in Government. No complaint is more common than the scarcity of money. Over-trading is the cause of the complaint; which is a general error when the profits of trade are greater than ordinary; not that dealers send more money abroad than usual, but they buy, upon credit, an unusual quantity of goods, and the demand for payment comes before the returns. P. 151—2.

It is not because wealth consists more in money than in goods, that the merchant finds it easier to buy goods with money, than to buy money with goods, but because money is the established instrument of commerce. Besides, the greater part of goods are more perishable than money, and he may sustain a loss by keeping them: his profit arises from selling and not from buying; therefore he is anxious rather to exchange his goods for money, than his money for goods. Though an individual, with abundance of goods in his warehouse, may be ruined, a nation is not liable to the same accident: it may suffer some inconveniency, but the annual produce of its land and labour will be nearly the same, because

cause the same consumable capital would be employed in maintaining it. P. 153—4.

It is pretended that nothing can be more disadvantageous to a country than the trade which consists in the exchange of such lasting commodities as gold and silver, for others which are perishable. But the *hardware* of England is not a disadvantageous trade, for the number of such utensils is in every country limited by the use which there is for them. Gold and silver whether in the shape of coin, or of plate, are utensils as much as the furniture of the kitchen. Increase the use for them, and you will increase the quantity; but if you attempt, by extraordinary means, to increase the quantity, you will diminish the use, and even the quantity too. P. 155—6.

It is not necessary to accumulate gold and silver, in order to enable a country to carry on foreign wars. Fleets and armies are maintained with consumable goods. A nation may purchase the pay and provisions of an army three different ways; by sending abroad either, (1.) Some of its accumulated gold and silver;—or, (2.) Some of its manufactures;—or, (3.) Some part of its rude produce. The gold and silver accumulated is distinguished into, (1.) The circulating money;—(2.) The plate of private families;—and, (3.) The money laid up in the treasury of the prince: these are but insignificant resources for carrying on a war. The funds which maintained the foreign wars of the present century have had little dependency upon the exportation either of circulating money; or of the plate of private families; or of the treasure of the prince; but upon that of British commodities of some kind or other. P. 157—61.

Besides the three sorts of gold and silver above mentioned, there is in all countries, a good deal of bullion imported and exported for the purposes of foreign trade. This bullion may be considered as the money of the great

great mercantile republic, part of which may have been employed in carrying on our wars, but this must have been purchased with British commodities, which are the ultimate resources of war. The commodities most proper for this purpose seem to be the finer manufactures, which can be exported at little expence. The manufacturers, during a war, will have a double demand upon them, (1.) To work up goods to be sent abroad for paying bills drawn upon foreign countries for the pay and provisions of the army; and, (2.) To work up such as are necessary for purchasing the common returns that had been usually consumed in the country. Manufactures may flourish, therefore, amidst the ruin of their country. No foreign war of great expence could be carried on by the exportation of the rude produce of the soil. The expence of carriage would be too great; besides the rude produce of few countries is much more than sufficient for the subsistence of their own inhabitants. Hence the inability of the *antient* kings of England to carry on a foreign war of long duration; which did not arise from the want of money, but of the finer manufactures. Among nations to whom commerce and manufactures are but little known, the sovereign can seldom draw any considerable aid from his subjects, he therefore accumulates a treasure as a resource against emergencies. The Saxon kings accumulated treasures, and the first exploit of every new reign, was commonly to seize the treasure of the preceding king, as the most essential measure of securing the succession. P. 162—6.

The importation of gold and silver is not the principal benefit which a nation derives from its foreign trade. It carries out that surplus part of the produce of their land and labour, for which there is no demand at home, and brings back something else for which there is a demand. By thus opening a more extensive market for the surplus produce of their labour, it encourages them to improve
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its productive powers, and thereby to encrease the real revenue and wealth of the society.

It is not by the importation of gold and silver, that the discovery of America has enriched Europe. By the abundance of the mines, those metals have become cheaper, and have been brought to the level of a much greater number of purchasers. But the *cheapness* renders those metals rather less fit for the purposes of money than they were before. The discovery of America, however, by opening a new market for European commodities, gave occasion to new divisions of labour, and improvements of art, which increased the real revenue and wealth of all the different countries in Europe. P. 167—9.

The discovery of a passage to the East Indies by the Cape of Good Hope, opens a still more extensive range to foreign commerce than even that of America. The inhabitants of America were savages; those of the East Indies were rich, and advanced in arts and manufactures. Europe has derived less advantage from its commerce with the latter, than from that with the former, owing to the restraints and monopolies with which the East India commerce is beset. By the exportation of silver to the East Indies, plate is somewhat dearer in Europe than it might otherwise have been, and coined silver probably purchases a larger quantity both of labour and commodities. The former is a small loss, the latter a small advantage. P. 170—2.

The two principles being established, viz. that wealth consisted in gold and silver; and, that those metals could be brought into a country only by the balance of trade;—it became the object of political œconomy to diminish the importation of foreign goods, and to encrease the exportation of domestic industry. The restraints upon importation were, (1.) Restraints upon the importation of such foreign goods, for home consumption, as could be

produced at home. (2.) Restraints upon the importation of goods of almost all kinds from those particular countries with which the balance of trade was supposed to be disadvantageous. Those restraints consisted sometimes in high duties, and sometimes in absolute prohibitions.

Exportation was encouraged by draw-backs;—by bounties;—by advantageous treaties of commerce;—and by the establishment of colonies. P. 173—5.

CHAP. II.

Of restraints upon the importation from foreign countries of such goods as can be produced at home.

BY restraining the importation of such goods from foreign countries as can be produced at home, the monopoly of the home market is secured to domestic industry. Thus the prohibition of importing live cattle, or salt provisions secures to the graziers of Great Britain the monopoly of the home market for butcher's meat. This monopoly gives encouragement to particular species of industry but it is not certain whether it tends to encrease the general industry of the society, which can never exceed what the capital of the society can employ. P. 176—7.

Every individual exerts himself to find out the most advantageous employment for whatever his capital can command. The study of his own advantage necessarily leads him to prefer what is most advantageous to the society.

I. Every individual endeavours to employ his capital as near home as he can, and consequently as much as he can in the support of domestic industry.—In the *home trade* the capital of a merchant is never so long out of his sight as in the *foreign trade* of consumption; he also

knows better his customers, and the laws of the country from which he must seek redress. P. 178—9.

II. Every individual who employs his capital in the support of domestic industry, endeavours so to direct that industry, that the produce may be of the greatest possible value.—The produce of industry, is what it adds to the materials upon which it is employed. In proportion to its value, will be the profits, for the sake of which a man employs a capital in support of industry. The annual revenue of every *society* is equal to the exchangeable value of the whole annual produce of its industry; every individual, therefore by employing his capital in the support of that industry, the produce of which is of the greatest possible value, labours to render the annual revenue of the society as great as he can. P. 180—1.

The best manner of employing his capital must be left to the discretion of each individual. Statesmen and senators are unequal to direct private people how to employ their capitals. But to give the monopoly of the home-market to the produce of domestic industry, in any art or manufacture, is to direct private people in what manner they ought to employ their capitals, and must be a *useless* or a *hurtful* regulation. If the produce of domestic, can be brought there as cheap as that of foreign industry, the regulation is useless; if it cannot it is hurtful. The taylor does not make his own shoes, nor the shoemaker his own clothes. If a foreign country can supply us with a commodity cheaper than we can make it, better buy it with some part of the produce of our own industry employed in a way in which we have some advantage; otherwise the industry of the country is turned away from a more to a less advantageous employment, and the value of the annual produce must be diminished by every such regulation. P. 182—3.

By means of such regulations, a particular manufacture may be acquired; but it does not follow, that the industry or revenue of the society will be augmented.

The industry of a society augments only in proportion as its capital augments, and its capital can augment only in proportion to what can be gradually saved out of its revenue, but the immediate effect of every such regulation is to diminish the revenue. P. 184.

The *natural* advantages of some countries are so great that it would be in vain to struggle with them. Scotland, at *thirty* times the expence, might make good wine, but it would be absurd, on that account, to prohibit the importation of foreign wines. P. 185.

Merchants and manufacturers derive the greatest advantage from the monopoly of the home-market. Manufactures are more easily transported than corn or cattle. In manufactures a small advantage will enable foreigners to undersell our own workmen. If the *free* importation of foreign manufactures were permitted, several of the home manufactures would go to ruin. But the freest importation of the rude produce of the soil could have no such effect upon the agriculture of the country. The grazing trade of Great Britain would not be much affected by the free importation of foreign cattle, or salt provisions. Even the free importation of corn could very little affect the interest of the farmers. Country gentlemen and farmers are less subject to the spirit of monopoly than manufacturers; they seem however, to have forgotten themselves when they demanded the exclusive privilege of supplying their countrymen with corn and butcher's meat. To prohibit by a perpetual law the importation of foreign corn and cattle, is to enact that the population and industry of the country shall at no time exceed what the rude produce of its own soil can maintain. P. 186—91.

It may in two instances be advantageous to lay some burden upon *foreign*, for the encouragement of *domestic* industry. First, when some particular sort of industry is necessary for the defence of the country. The defence of Great Britain depends upon its sailors and

shipping. The *act of navigation*, therefore, properly endeavours to give the sailors and shipping the monopoly of the trade of their own country. P. 192—4.

The *second* case is when some tax is imposed at home upon the produce of domestic industry. In this case it seems reasonable, that an equal tax should be imposed upon the produce of foreign industry. This would leave the competition, after the tax, on the same footing as it was before it. But according to some people, when the necessaries of life have been taxed, it becomes necessary to tax all sorts of foreign goods which can come into competition with any part of the produce of domestic industry. Since *every* commodity which is the produce of domestic industry becomes dearer, though not immediately taxed itself, in consequence of such taxes, because the labour which produces it becomes so. Admitting this, yet the general enhancement of the price of all commodities, in consequence of that of labour, is a case which differs in two respects from that of a particular commodity. (1.) It may be known, how far the price of such a commodity could be enhanced by such a tax: but how far it might affect the price of labour could never be known. (2.) Taxes on the necessaries of life have the same effect upon the circumstances of the people as a poor soil and bad climate. Such taxes, at a certain height, are a curse equal to the barrenness of the earth. Only rich countries could bear them. P. 195—8.

As there are *two* cases in which it may be advantageous to burden foreign, for the encouragement of domestic industry; so there are *two* in which it may be matter of deliberation.

The *first* is, how far it is proper to continue the free importation of certain foreign goods, when some foreign nation restrains the importation of our manufactures into their country. Nations seldom fail to retaliate. France has been forward in thus favouring their own manufactures.

manufactures. But the opinion of the most intelligent people there, is, that it has been of no advantage to the country. Retaliations may be good policy, if they tend to procure a repeal of the prohibitions complained of. To judge whether they are likely to produce this effect, does not belong so much to the legislator, as to the crafty statesman. When there is no probability of procuring a repeal, it is a bad method of compensating the injury done to some classes of the people, to do another to almost all the other classes of them. P. 199—201.

The *second* case is, how far, and in what manner, it is proper to restore the *free* importation of foreign goods, after it has been interrupted. When any manufactures, by means of prohibitions upon foreign goods, have been so far extended as to employ a multitude of hands, humanity may require, that the *freedom* of trade should be restored with great circumspection; otherwise, it might occasion great disorder; though less, perhaps, than is commonly imagined, for *two* reasons: (1.) All those manufactures of which any part is commonly exported to other European countries, without a bounty, could be very little affected by the free importation of foreign goods. Such are the woollen manufactures, tanned leather, and hardware. (2.) Though by restoring the freedom of trade, a great number of people would be thrown out of their ordinary employment, it does not follow that they would be deprived of subsistence. At the end of a war 100,000 soldiers and seamen are sometimes disbanded, without even diminishing the price of labour, except in that of seamen in the merchant service. But the habits of manufacturers do not tend to disqualify them from exercising a new trade, so much as those of soldiers. Soldiers and seamen are at liberty to exercise any trade within any town or place. Grant the same liberty to all people; that is, break down the privileges of corporations; repeal the statute of apprenticeship, and that of settlements,

settlements, and neither the public nor individuals would suffer more from disbanding some particular classes of manufacturers, than from that of soldiers. P. 202—5.

Perfect freedom of trade is not to be expected in Great Britain; public prejudices, and private interests oppose it. Hence the member of parliament who supports monopolies acquires reputation and popularity; but he who opposes and thwarts them, is liable to insults, and danger, from which the greatest public services cannot always protect him. A regard to the interests of manufacturers requires that home markets be not suddenly laid open to the competition of foreigners, since they would find it difficult to dispose of that part of ~~their~~ ^{his} capital, without considerable loss, which consists in fixed work-houses, and in the instruments of trade. Hence the legislature should be very careful not to establish new monopolies, nor to extend those already established. P. 206—8.

C H A P. III.

Of the extraordinary restraints upon the importation of goods, from those countries with which the balance is supposed disadvantageous.

PART I.

Of the unreasonableness of those restraints even upon the principles of the commercial system.

TO lay extraordinary restraints on the importation of goods, from those countries with which the balance of trade is supposed disadvantageous, is the second expedient to encrease the quantity of gold and silver.

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Thus higher duties are imposed on French goods, than on those of other nations. France has treated our manufactures in the same way. These principles take their origin from national prejudices, and are highly unreasonable, even according to the commercial system. For,

I. Though in the free trade betwixt Great Britain and France, the balance were in favour of France, it would not necessarily follow, that the trade was disadvantageous to England. For the goods of France might be cheaper than those of any other foreign country.

II. A great part of them might be re-exported with a profit. Though a great part of the goods were bought with gold and silver, the re-exportation of a part of them might bring back more gold and silver than the prime cost of the whole amounted to.

III. There is no certain criterion by which we can determine on which side the balance between any two countries lies. Custom-house books, and the course of exchange have been appealed to. The *former* is an uncertain criterion, on account of the inaccuracy of the valuation of the goods rated in them. The *latter*, perhaps, is almost equally so. For though the ordinary course of exchange of any two places be a sufficient indication of the ordinary state of debt and credit; yet the ordinary state of credit and debt is often regulated by the dealings of either of them, with many other places. Besides, the *real* course of exchange is often different from the *computed* one. P. 209—14.

When for a sum of money paid in England, containing, according to the standard of the English mint, a certain number of ounces of pure silver, you receive a bill for a sum of money to be paid in France, containing, according to the French standard, an *equal* number of ounces of pure silver, exchange is said to be at par between England and France. When you pay *more*, exchange is said to be against England. When *less*, exchange is against France. But, (1.) We cannot always judge

judge of the value of the current money of different countries, which must be in proportion to the quantity of pure silver which it *actually does* contain. (2.) In England the expence of coining is defrayed by the government ; in France 8 per cent. is charged for coinage. French money must, therefore, be more valuable than the same quantity of English money ; consequently the *real* exchange might be in favour of England, while the *computed* was in favour of France. (3.) In some places, as Amsterdam, Hamburgh, &c. foreign bills of exchange are paid in what they call *bank money*, while in others, as at London, Lisbon, &c. they are paid in the *currency* of the country. Bank money is of more value than currency, and the difference is called the *agio* of the bank. In two countries, one paying bills of exchange in currency, the other in bank money, it is evident that the *computed* exchange may be in favour of that which pays in bank money, though the *real* exchange should be in favour of that which pays in currency. P. 215—18.

Digression concerning Banks of Deposit, particularly concerning that of Amsterdam.

THE currency of a great state, such as England, generally consists almost entirely of its own coin. Should this currency be, at any time, degraded below its standard value, the state can, by a reformation of its coin, re-establish its currency. But the currency of a small state, such as Hamburgh, seldom consists altogether in its own coin, but is made up of the coins of all the neighbouring states. Such a state, by reforming its coin, will not always reform its currency. If foreign bills of exchange are paid in this currency, the *uncertain* value of any sum must render the exchange always
very

very much against such a state. In order to remedy this inconvenience, such small states have enacted that foreign bills of a certain value, should be paid by a transfer in the books of a certain bank, which is obliged to pay in good and true standard money. The banks of Hamburgh, Amsterdam, &c. were established with this view. The money of such banks, being better than the currency, bore an *agio*. The *agio* of Hamburgh is about 14 per cent. P. 219—20.

Before 1609, the currency of Amsterdam was 9 per cent below fresh money from the mint. The merchants could not always find a sufficient quantity of good money to pay their bills of exchange, and the value of those bills became uncertain. To remedy this, a bank was established under the guarantee of the city. This bank received all sorts of coin at its *intrinsic* value, deducting the expence of coinage, and of management, and gave a credit for it, in its books. This credit was called bank money, which was always of the same real value, and worth more than the currency. It was enacted that all bills of exchange drawn upon, or negociated at Amsterdam, of the value of 600 guilders and upwards, should be paid in bank money. Consequently every merchant was obliged to keep an account with the bank in order to pay his bills of exchange, which occasioned a certain demand for bank money. P. 221.

Bank money has other advantages; it is secure from accidents, and can be paid away by simple transfer. In consequence of these advantages, it has always borne an *agio*. The money deposited in the bank is believed to remain there, nobody caring to demand payment of the bank of a debt which he could sell for a premium. Besides, by being brought from the bank it lost all the advantages of bank money, nor could it be brought from its coffers without paying for the keeping. Those deposits of coin constituted the original capital of the bank. It now gives credit upon deposits of gold and

silver bullion, at about 5 per cent below the mint price. It grants a receipt entitling the bearer to take out the bullion within six-months, upon transferring to the bank a quantity of bank money equal to that for which credit had been given, and upon paying $\frac{1}{4}$ per cent for keeping, if the deposit was in silver, and $\frac{1}{2}$ per cent if it was in gold; but in default of such payment, and upon the expiration of this term, the deposit should belong to the bank at the price at which it had been received. P. 222—3.

Deposits of bullion are commonly made when the price is lower than ordinary; and they are taken out, when it happens to rise. A person can generally sell his receipt for the difference between the mint price of bullion, and the market price. A receipt for bullion is generally worth something, and it seldom happens, therefore, that any body suffers his receipt to expire, or allows his bullion to fall to the bank, at the price at which it had been received. P. 224—5.

The person who by making a deposit of bullion obtains both a bank credit and a receipt, pays his bills of exchange with his bank credit, and either sells or keeps his receipt, according as he judges that the price of bullion is likely to rise or fall. The owners of bank credit, and the holders of receipts, constitute two different sorts of creditors against the bank. The holder of a receipt cannot draw out bullion without re-assigning to the bank, a sum of bank money equal to the price at which the bullion had been received. If he has no bank money, he must purchase it. The owner of bank money cannot draw out bullion without a bank receipt for the quantity he wants. The price of the receipts, and the price of the bank money, make up between them the full value of the bullion. P. 226.

The bank grants receipts and bank credits, upon deposits of the current coin, but these receipts are frequently of no value. The sum of bank money, for which the receipts

receipts are expired must be considerable. - It must comprehend the whole original capital of the bank. But the proportion which it bears to the whole mass of bank money, is supposed to be very small. No demand can be made on the bank but by means of a receipt. The bank money, for which receipts are expired, is mixed with that for which they are still in force ; so that, though there may be a considerable sum of bank money for which there are no receipts, there is no specific sum, which may not be demanded by one. The owner of bank money cannot demand payment without a receipt. In ordinary times he can find no difficulty in getting one to buy at the market price. It might be otherwise during a public calamity, as that of an invasion. In such an emergency the bank might, perhaps, pay the owners of bank money who could get no receipts, the value of what they were credited for in their books: paying 2 or 3 per cent to such holders of receipts as had no bank money. P. 227—9.

In ordinary times it is the interest of the holders of receipts to depress the agio, in order to buy bank money cheaper, or to sell their receipts dearer. It is the interest of the owners of bank money to raise the agio, in order to sell their bank money dearer, or to buy a receipt cheaper. To prevent stock-jobbing agio *now* is never more than 5, nor less than 4 per cent. P. 230.

The bank of Amsterdam professes to lend out no part of what is deposited with it ; and no point of faith is better established than that for every guilder circulated as bank money, there is a corresponding guilder in gold or silver in the treasure of the bank. In 1672 when the French king was at Utrecht, the bank of Amsterdam paid so readily as left no doubt of the fidelity with which it had observed its engagements. P. 231—2.

The amount of the treasure in the bank cannot be known, but three millions sterling is probably the utmost extent, which is quite sufficient to carry on a very

extensive circulation. The city of Amsterdam derives considerable revenue from the bank. Besides what may be called warehouse rent, there are fees upon opening every new account, and also for every transfer; likewise forfeits from every person who neglects to balance his accounts twice in the year. The bank is supposed to make a profit by the sale of foreign coin or bullion, which sometimes falls to it by expiring receipts. It makes a profit by selling bank money at 5, and buying it at 4 per cent. Public utility however, and not revenue, was the original object of this institution. The exchange generally appears to be in favour of the countries which pay in bank money, and against those which pay in currency. For the former pay in a species of money of which the intrinsic value is always the same; the latter in a species of money of which the intrinsic value is always varying and generally below the standard. P. 233—4.

PART II.

Of the unreasonableness of those extraordinary restraints upon other principles.

NOTHING can be more absurd than the whole doctrine of the balance of trade. When two places trade with one another this doctrine supposes, that if the balance be equal, neither of them gains or loses; but that if it leans to one side, that one of them loses and the other gains. Both suppositions are false. A trade which is forced, by means of bounties and monopolies, is commonly disadvantageous to the country in whose favour it is meant to be established. But a trade, which without constraint, is carried on between any two places, is always advantageous, though not equally so, to both. By advantage is understood, not an increase of gold and silver

silver, but that of the exchangeable value of the annual produce of the land and labour of the country. If the balance be equal, and the trade consists in the exchange of their *native* commodities, they will, on most occasions, gain equally; each will afford a market for a part of the surplus produce of the other. P. 235—6.

If the one export nothing but *native* commodities, and the returns of the other consisted altogether in foreign goods, the balance would be supposed equal, commodities being paid for with commodities. The inhabitants of that country which exported nothing but native commodities would gain most; since the whole capital annually employed, would be distributed among the people. But in the other, only that part of the capital which was employed in producing commodities, with which the foreign goods were purchased, would be annually distributed among the people. The one would carry on a direct foreign trade, the other a round about trade. All countries exchange with one another, partly native, and partly foreign goods: that country will be the principal gainer in whose cargoes there is the greatest proportion of native goods. P. 237—8.

If England paid for the commodities imported from France, with gold and silver, and not with tobacco and India goods, the balance would be supposed against us. The trade would give revenue to both countries, but more to France. If the tobacco which, in England, is worth only 100,000*l.* when sent to France will purchase wine, which is in England worth 110,000*l.* the exchange will augment the capital of England by 10,000*l.* The same may be said of a like sum of English gold. It would be more advantageous for England that it could purchase the wines of France with its own hardware, than with the tobacco of Virginia, or the gold and silver of Peru. A country which has no mines, is not more likely to be exhausted of gold and silver, by the exportation of those metals, than one which does not
grow

grow tobacco, by the exportation of that plant.
P. 239—40.

~~That~~ is thought ~~that~~ a losing trade which a workman carries on with the alehouse, and the trade which a manufacturing nation would naturally carry on with a wine country, may be considered of the same nature. The trade with the alehouse is as advantageous and necessary to the workman as any other, though more liable to be abused. Individuals may ruin their fortunes by an excessive consumption of fermented liquors, but there seems to be no risk that a nation should do so. The cheapness of wine is the cause, not of drunkenness but of sobriety. The restraints upon the wine trade are not calculated to keep people from the alehouse, but to prevent them from going where they can buy the best and cheapest liquor. They favour the wine of Portugal, and discourage that of France, because the Portuguese, it is said, are better customers for our manufactures than the French. The arts of underling tradesmen are thus erected into political maxims for the conduct of a great empire. By such maxims, nations have been taught that their interest consisted in beggaring all their neighbours. Commerce has become the source of animosity. The ambition of Kings and ministers has not been more fatal to the repose of Europe, than the jealousy of merchants and manufactures. P. 241—3.

It was the spirit of monopoly which invented this doctrine. It is the interest of the people to buy of those who sell the cheapest. This proposition has been called in question only by merchants and manufacturers, whose interest is opposite to that of the great body of the people. Hence, the duties on goods imported by alien merchants; the duties and prohibitions on foreign manufactures; and the restraints upon the importation of goods from countries, with which the balance of trade is supposed disadvantageous; that is, from those countries
against

against whom national animosity happens to be most violently inflamed. P. 244.

The wealth of a neighbouring nation, though dangerous in *war*, is advantageous in *trade*. A *rich* man is likely to be a better customer to the people in his neighbourhood, than a poor man, so is likewise a rich nation. The manufacturers of a rich nation, may be dangerous rivals to those of their neighbours; but the competition is advantageous to the great body of the people. Private people who want to make a fortune, resort to the capital; where much wealth circulates, some share of it may fall to them. The same maxims should make a whole nation regard the riches of its neighbours, as an occasion for itself to acquire riches. The modern maxims of foreign commerce, by aiming at the impoverishment of all our neighbours, tend to render that very commerce contemptible. Hence, the restraints on the commerce between France and England. If the *real* interest of both countries were considered, a reciprocal commerce might be most advantageous to each. France is the nearest neighbour to Great Britain; the returns might be made four, five, or six times in the year, consequently the same capital would keep in motion four, five, or six times the quantity of industry, which an equal capital could do in most other branches of foreign trade. Between the parts of France and Great Britain, most remote from one another, the returns might be expected once a year; this would make the trade with France three times more advantageous than the trade with North America. France, besides, contains twenty four millions of inhabitants; America, but three. France is also the much richer country. Such is the difference between that trade, which the *wisdom* of both nations has thought proper to discourage, and that which it has favoured the most. P. 245—8.

The same circumstances, which would have rendered an open and free commerce between the two countries

so advantageous to both, have occasioned the principal obstructions to that commerce. Every town and country, in proportion as they have opened their ports to *all* nations, have been enriched by the free trade. P. 249.

There is another *balance*, which according as it happens to be favourable or unfavourable, occasions the prosperity or decay of every nation. This is the balance of the annual produce and consumption, which is entirely different from the balance of trade. It may take place in a nation which has no foreign trade. It may take place in the whole earth, of which the wealth and population may be either increasing or decaying. The balance of produce and consumption may be in favour of a nation, though the balance of trade be against it. P. 250—1.

CHAP. IV.

Of Drawbacks.

MERCHANTS and manufacturers, not contented with the monopoly of the home market, have sought certain encouragements to exportation. Of these, *drawbacks* seem to be the most reasonable. To allow the merchant to draw back the whole, or a part of whatever excise or inland duty is imposed upon domestic industry, can never occasion the exportation of more goods, than what would have been exported had no duty been imposed. Such encouragements do not tend to turn towards any particular employment, a greater share of the capital of the country than what would go to that employment of its own accord, but only to hinder the duty from driving away any part of that share to other employments. They tend to preserve the natural division and distribution of labour in the society. The
same

same thing may be said of the drawbacks upon the re-exportation of foreign goods imported. Formerly the merchant was allowed to drawback half the duty upon exportation, provided the exportation by the English merchant took place within twelve months; by the Alien within nine months; this was afterwards extended to three years. Upon the exportation of tobacco, of which we *had* the monopoly, the whole duties were drawn back. Sugars came nearly under the same rule. Some goods are entirely prohibited to be imported for home consumption. If imported for exportation, no part of the duties is drawn back; such are French cambrics, printed callicoos, &c. P. 252—4.

Upon all French commodities, less of the duties were allowed to be drawn back than upon those of other countries. P. 255—7.

DRAWBACKS were, perhaps, granted for the encouragement of the *carrying* trade, which, as the freight of the ships is frequently paid by foreigners, was peculiarly fitted for bringing gold and silver into the country. The motive of the institution was foolish, though the institution itself was reasonable. Such drawbacks cannot force into this trade a greater share of the capital of the country, than what would have gone into it of its own accord, had there been no duties on importation. The *carrying* trade is a resource to those capitals which cannot find employment in the agriculture, or the manufactures of the country. The revenue *profits* by that part of the duty which is retained. If the whole duties had been retained, the foreign goods could seldom have been exported, nor consequently imported, for want of a market. These reasons will justify drawbacks. P. 258—60.

CHAP. V.

Of Bounties.

BOUNTIES upon exportation are sometimes granted to the produce of particular branches of domestic industry. By means of them our merchants, it is pretended, will be enabled to sell their goods as cheap, or cheaper, than their rivals in the foreign market. A greater quantity will thus be exported, and the balance of trade turned more in favour of our own country. *Bounties* ought to be given to those branches of trade only, which cannot be carried on without them, or in which the merchant is obliged to sell his goods for less than they really cost him to send to market. The bounty is given to make up this loss. The trades carried on by means of bounties, are the only ones which can be carried on between two nations, for any considerable time, in such a manner as that one shall regularly lose, or sell its goods for less than it costs to send them to market. But if the bounty did not repay to the merchant what he would lose upon his goods, he would soon employ his stock in another way. The effect of bounties can only be to force the trade of a country into a channel, less advantageous than that in which it would run of its own accord. P. 261—2.

Since the bounty upon the exportation of corn was first established, the price of the corn exported, has exceeded that of the corn imported, by a much greater sum than the amount of the whole bounties which have been paid during that period. This has been thought a proof that the forced corn trade is beneficial to the nation, without considering that the bounty is the *smallest* expence to the society. The capital of the farmer employed in raising it must be taken into the account. Unless the price of the corn in the foreign market will pay the bounty, this capital, and the profits of stock the society

is

is a loser. The bounty supposes the price to be insufficient to do this. P. 263.

The average price of corn has fallen since the establishment of the bounty. This must have happened in spite of the bounty, and is probably owing to the gradual rise in the real value of silver. In years of *plenty* the bounty keeps up the price of corn. In years of *scarcity*, though the bounty is frequently suspended, yet the great exportation in years of plenty, must hinder the plenty of one year from relieving the scarcity of another. It has been thought that it encourages tillage, (1.) By opening a foreign market to the farmer, and, (2.) By securing to him a better price. But it is answered, that the extension of the foreign market by the bounty, must be at the expence of the home market. The corn bounty imposes two different taxes upon the people; (1.) The tax in order to pay the bounty; and, (2.) That which arises from the advanced price of the commodity in the home market. The second is the heavier tax: and it must either reduce the subsistence of the labouring poor, or occasion some augmentation in their pecuniary wages. In the one case it must tend to restrain the population of the country; in the other, it must tend to restrain the industry of the country. The final tendency of the bounty, therefore, is to diminish, rather than to augment the market and consumption of corn. This enhancement of the money price of corn, it has been thought, must encourage its production. But it is not the *real*, but the *nominal* price of corn, which is affected by the bounty. The effect of the bounty is not so much to raise the real value of corn, as to degrade the real value of silver. For the money price of corn regulates the money price of labour; and also of all the other parts of the rude produce of land, consequently that of the materials of almost all manufactures. By regulating the money price of labour, it regulates

that of manufacturing art and industry, and consequently that of the complete manufacture. P. 264—8.

That degradation in the value of silver which is the effect of the fertility of the mines, as it operates equally every where, is a matter of little consequence to any particular country. But that degradation in the value of silver, which, being the effect of the political institutions of a particular country, takes place only in that country, and is a matter of very great consequence, and tends to make every body poorer. P. 269—70.

Spain and Portugal are the distributors of gold and silver to all Europe; they should be somewhat cheaper in those countries than in any other part of Europe. Spain by taxing, and Portugal by prohibiting the exportation of gold and silver, load the exportation with the expence of smuggling; they cannot detain a greater quantity of gold and silver than what they can afford to employ in coin, plate, &c. The higher the tax, the higher the penalties with which the prohibition is guarded, the greater must be the difference in the proportion of gold and silver to the annual produce of the land and labour of Spain and Portugal, and to that of other countries. The cheapness of gold and silver discourages the agriculture and manufactures of Spain and Portugal, and enables foreign nations to supply them with many sorts of rude produce, and with almost all sorts of manufactures, for a smaller quantity of gold and silver than what they can either raise, or make them for at home. The tax and prohibition operate in two ways: (1.) They lower the value of the precious metals in Spain and Portugal; and, (2.) They keep up the price in other countries above what it would otherwise be, and thereby give those countries a double advantage in their commerce with Spain and Portugal. Remove the tax and prohibition, and the value of those metals will soon come to a level in all countries. The loss which Spain and Portugal could sustain would be nominal

nominal and imaginary. The nominal value of their goods would fall, but their real value would be the same. The gold and silver which would go abroad would bring back an equal value of goods, the greater part of which would afford employment and maintenance for industrious people ; a part of their dead stock would thus be turned into active stock, and the produce of their land and labour must increase. P. 271—4.

The bounty upon the exportation of corn necessarily operates in the same way as this absurd policy of Spain and Portugal. It renders our corn dearer in the home market, and cheaper in the foreign ; and the average price of corn regulates that of all other commodities ; it lowers the value of silver in the one, and tends to raise it in the other. The bounty as it raises in the home market, not so much the *real*, as the *nominal* price of corn, it discourages our manufactures, without rendering real service to our farmers. P. 275.

The corn merchants are the only persons who essentially profit by this bounty ; as in years of plenty it occasions a greater exportation ; and by hindering the plenty of one year from relieving the scarcity of another, it occasions, in years of scarcity, a greater importation than there would otherwise be, which they can sell with a greater profit. In imposing the high duties on the importation of foreign corn, and in establishing the bounty, our country gentlemen imitated the conduct of our manufacturers. They did not attend to the essential difference which nature has established between corn, and almost every other sort of goods.

When, by monopoly, or bounty, woollen or linen manufacturers are enabled to sell their goods for a better price than they could otherwise get for them, it is the real price which is raised, and they are enabled to live better themselves, and to employ a greater quantity of labour. But when, by like institutions, the money price of corn is raised, the *real value* is not raised.

Nature

Nature has stamped a value upon corn, which cannot be altered by altering the money price. That value is, in every place, equal to the quantity of labour which it can maintain, as labour is commonly maintained in that place. Woollen or linen cloth are not the only regulating commodities by which the real value of all other commodities must be determined; corn is. P. 276—8.

Bounties upon the exportation of any home made commodity are liable, (1.) To the objection of forcing some part of the industry of the country into a channel less advantageous than that in which it would run of its own accord: and, (2.) To the objection of forcing it into a channel that is actually disadvantageous. The bounty upon the exportation of corn, is liable to this farther objection, that it cannot promote the raising of that commodity of which it was meant to encourage the production. P. 278—9.

To encourage the production of any commodity, a bounty upon *production* would have a more direct operation, than one upon *exportation*. It would impose only one tax on the people. It would tend to lower the price of the commodity in the home market, which would, in part, contribute to repay the tax. Something like a bounty upon production, has been granted upon some occasions. Such are the tonnage bounties given to the white-herring and whale fisheries. They tend to render the goods cheaper in the home market, than they would otherwise be. In other respects their effects are the same as those of bounties upon exportation. The tonnage bounties are thought to contribute to the defence of the country, by augmenting the number of its sailors and shipping. This is said to be done cheaper by these bounties, than by keeping a standing navy. Notwithstanding these favourable allegations, it is not improbable that the legislature has been imposed on in granting, at least, one of these bounties. For, (1.) The herring

herring burs bounty seems too large. Every barrel of which costs government nearly 18s. but the price is only about a guinea at an average. (2.) The bounty to the white herring fishery is in proportion to the burden of the ship, not to her success in the fishery. Many vessels have probably been fitted out to catch, not the fish, but the bounty. (3.) The mode of fishing for which this tonnage bounty has been given, is not so well adapted for Scotland, as the boat fishery, which has nearly gone to decay since the establishment of the burs bounty. (4.) In many parts of Scotland, herrings make a great part of the food of the common people. The herring burs bounty has contributed rather to raise than lower their price in the home market.

Notwithstanding the liberal bounties bestowed on the undertakers of fisheries, they do *not* seem to have been great gainers in the business. The effect of such bounties is to encourage rash undertakers to adventure in a business they do not understand, and what they lose by their own ignorance, more than compensates the liberality of government. P. 280—7.

If any manufacture was *necessary* for the defence of the society, and could *not* be otherwise supported at home, it might not be unreasonable that all other branches of industry should be taxed to support it. The bounties upon the exportation of British made sail cloth, and gunpowder may, perhaps be vindicated on this principle. What is called a *bounty*, is sometimes no more than a *drawback*, and consequently is not liable to the same objections as what is properly called a bounty. Such are the bounties upon raw sugar, and upon wrought silk. The bounty also upon gunpowder is a drawback of the duties imposed upon brimstone and saltpetre imported. PREMIUMS given by the public to artists are not liable to the same objections as bounties. Their tendency is not to overturn the natural balance of employment, but to render the work done more perfect.

perfect. The expence of premiums is small, that on bounties very great. The bounty on corn has sometimes cost the public, in one year more than three hundred thousand pounds. P. 288—90.

Digression concerning the Corn Trade and Corn Laws.

THE praises bestowed upon the Corn laws of this country are altogether unmerited. The trade of the corn merchant is composed of four different branches. These are (1.) The trade of the *inland dealer*; (2.) That of the *importer*; (3.) That of the *exporter*; and (4.) That of the *carrier*.

I. The interest of the inland dealer, and that of the great body of the people, are, even in years of scarcity, the same. It is *his* interest to raise the price of corn as high as the real scarcity of the season requires, and no higher. By raising the price he discourages the consumption, and makes people economical. But by raising it too high he is liable to great loss, by not being able to sell all his corn. And by not raising it high enough, he loses part of his profit and exposes the people to famine. It is the interest of the people that their consumption should be proportioned to the supply of the season. This also is the interest of the inland dealer in corn. If one great company of merchants could possess themselves of the whole crop of an extensive country, they might destroy a part, to keep up the price of the rest. But this is scarcely possible with regard to corn: wherever the law leaves the trade free, it is of all commodities the least liable to be monopolized by a few large capitals. Its value exceeds the capitals of a few private men; and it is necessarily divided among a greater number of owners, who are scattered through the country. P. 290—4.

Dearths have never arisen from the combinations of the

the dealers in corn, but from real scarcity, occasioned by the waste of war, or by the fault of the seasons ; and famines have always been caused by the violence of government, attempting by improper means, to remedy the inconveniences of dearths. In an extensive corn country, in which there is a free commerce, the scarcity occasioned by the worst seasons can never produce a famine. The seasons most unfavourable to a crop, are those of excessive drought, or excessive rain. But as corn grows equally on high, and low lands, the season that is hurtful to one part of the country is favourable to another. In *rice* countries, where the crop requires much water, the effects of a drought are more dismal, yet seldom so universal as to occasion a famine if the government would allow a free trade. P. 295—6.

When a government, to remedy the inconveniences of a dearth, orders all dealers to sell their corn at what it supposes a reasonable price, it either hinders them from bringing their corn to market, or it enables the people to consume it too fast. The unlimited freedom of the corn trade is the only effectual preventive of a famine, and the best palliative of the inconveniences of a dearth. In years of scarcity, the inferior ranks of the people impute their distresses to the avarice of the corn merchant; though on such occasions he is often the greatest sufferer. It is evident that the profit of the corn merchant is no more than sufficient to put his trade on a level with other trades, since great fortunes are not more frequent in this than in other trades. P. 297—8.

The ancient policy of Europe encouraged the popular odium against this trade. By a statute of Ed. VI. it was made a punishable offence to buy corn with an intent to sell it again. Our ancestors endeavoured to hinder any middle man from coming in between the grower and consumer. Hence the restraints on the *carrier* of corn. Agriculture was, in this manner, regulated by motives quite different from those established with regard to ma-

manufactures. The farmer was *obliged* to become a corn merchant; while the manufacturer was, in many cases, *forbidden* to sell his goods by retail. The one law was intended to make corn cheap; the other was intended to encourage the business of shopkeepers. The manufacturer cannot undersell the common shopkeeper, for the capital placed in his shop, must be withdrawn from his manufactory; therefore he must have the profits of the manufacturer on part of his capital, and those of a shopkeeper on the other part. The farmer also, for the same reason, could not afford to sell his corn cheaper than any other corn merchant would have been obliged to do in the case of a free competition. P. 299—301.

The dealer who employs his whole stock in one branch of business has an advantage similar to the workman whose labour is employed in a single operation. The law which prohibited the manufacturer from exercising the trade of a shopkeeper, endeavoured to force this division in the employment of stock to go on faster than it might otherwise have done. The law which obliged the farmer to exercise the trade of a corn merchant, endeavoured to hinder it from going on so fast. Both were *unjust*, but the latter was the most pernicious. It obstructed the improvement and cultivation of land, by forcing the farmer to divide his capital into two parts, only one of which could be employed in the cultivation of land, it must consequently have tended to raise the price of corn. P. 302—3.

After the business of the farmer, that of the corn merchant, properly protected, will contribute most to the raising of corn. It will support the trade of the farmer, in the same manner as the trade of the wholesale dealer supports that of the manufacturer. It will enable the farmers to keep their whole capitals constantly employed in cultivation, and render them independent of the landlord. The statute of Ed. VI. therefore endeavoured to annihilate a trade, of which the free exercise

is the best preventive of a dearth, as contributing more than any trade except that of the farmer, to the growing of corn. P. 304—5.

The rigour of this law was afterwards softened, and by a statute of Charles II. the buying of corn, in order to sell it again is declared lawful, as long as the price of wheat does not exceed 48s. the quarter, to persons not being forestallers, that is, not selling it again in the same market within three months. This statute authorises two absurd popular prejudices: (1.) It supposes that when wheat is 48s. the quarter it is likely to be so engrossed as to hurt the people. (2.) It supposes that there is a certain price at which corn is likely to be forestalled so as to injure the public. But if the merchant buys corn either going to a market, or at the market, in order to sell it again soon in the same market, it must be because he judges that the market cannot be so liberally supplied through the whole season, as on that occasion, and that the price must soon rise. If he judges wrong he must be the loser. If he judges right, he renders the people a service: by making them feel the inconveniences of a dearth somewhat earlier, he prevents them from feeling it so severely as they would otherwise do. P. 306—8.

The popular fear of engrossing and forestalling may be compared to the popular terrors of witchcraft. The law which should restore entire freedom to the inland trade of corn would probably put an end to the fears of engrossing. The statute of Charles II. with all its imperfections has contributed much to the increase of tillage, which is more promoted by the inland than by the importation or exportation trade. P. 309—10.

II. The trade of the merchant importer of foreign corn for home consumption contributes to the immediate supply of the home market, and must be beneficial to the people. It tends, indeed, to lower the average money price of corn, but not to diminish its real value.

When wheat did not exceed 53s. 4d. the quarter, it might be imported subject to a duty of 16s. a quarter ; and to a duty of 8s. whenever the price did not exceed 41. The distress which in years of scarcity these laws might have brought upon the people, occasioned, in general, *temporary* statutes which permitted the importation of foreign corn. P. 311—13.

III. The trade of the merchant exporter of corn for foreign consumption, certainly does not contribute directly to the plentiful supply of the home market. It does so, however, indirectly.

The supply of the home market can never be plentiful unless the surplus, can, in all ordinary cases be exported. The prohibition of exportation limits the improvement and cultivation of the country, to what the supply of its own inhabitants requires. The freedom of exportation enables it to extend cultivation for the supply of foreign nations. By the 12th of Charles II. the exportation of corn was permitted ; and by the 1st of William and Mary a *bounty* was granted on exportation. By this last statute, corn could be engrossed at any price for exportation but not for inland trade, except when the price was less than 48s. the quarter. The interest of the inland dealer can never be opposite to that of the great body of the people ; that of the exporter may. The direct object of these statutes was, under the pretence of encouraging agriculture, to raise the money price of corn as high as possible. P. 314—15.

Were all nations to admit a free exportation and importation, the different states of a great continent would resemble the different provinces of a great empire, which would at all times be best supplied by a perfectly free trade. But the freedom of the corn trade has been almost every where restrained, which restraints have been the occasion of many dangers and misfortunes. The *bad* policy of one country, may render the establishment of the *best*, imprudent or dangerous in another. In
large

large states it will be less dangerous. In some of the Italian states it may, sometimes, be necessary to restrain the exportation of corn, but in such countries as France and England, it scarcely ever can. The laws concerning corn, may be compared to those concerning religion; government, to preserve public tranquillity, yields to popular prejudices, and on that account, we seldom find a rational system established. P. 316—17.

IV. The trade of the merchant carrier, or of the importer of foreign corn for exportation, contributes to the plentiful supply of the home market. For he can sell his corn for less money than he might expect in a foreign market. The country which becomes the store-house for the supply of other countries, can seldom be in want itself. The carrying trade has been prohibited in Great Britain. That system of laws connected with the establishment of the bounty deserves no praise. The prosperity of Great Britain depends on the security of property; and upon the effort of every man to better his condition. P. 318—19.

Though the system of laws connected with the bounty, has the same tendency with the police of Spain and Portugal, to lower the value of the precious metals, yet Great Britain is one of the richest countries in Europe, while Spain and Portugal are among the most beggarly; which may be thus accounted for: (1) The tax in Spain, and the prohibition in Portugal, of exporting gold and silver, must operate more forcibly in reducing the value of those metals, than the corn laws of England. (2.) In Spain and Portugal, industry is neither free, nor secure, and the governments are such as would alone be sufficient to perpetuate their present state of poverty.

The 13th of Geo. III. c. 43. has established a new system with regard to the corn laws, in many respects better than the ancient one, but in others not so good. P. 320—3.

CHAP. VI.

Of Treaties of Commerce.

WHEN a nation binds itself by treaty, either to permit the entry of certain goods from one foreign country, which it prohibits from all others; or to exempt the goods of one country from duties to which it subjects those of all others, that foreign country must derive advantage from the treaty. Such treaties are disadvantageous to the merchants of the favouring country, and a monopoly is granted against them, to a foreign nation. They must frequently buy their foreign goods dearer than if a free competition was admitted. The exchangeable value of their annual produce is likely to be diminished by every such treaty. This diminution, however, can scarcely amount to a positive loss, consequently the favouring country will gain by the treaty. Some countries have granted treaties of commerce against themselves, because they expected that in the *whole* commerce between them, an annual balance of gold and silver would be returned to them. Such was the treaty of commerce between England and Portugal concluded in 1703, by Mr. Methuen. By this treaty Portugal agreed to admit the woollen manufactures of the British, on condition that Great Britain should admit her wines, upon paying only two-thirds of the duty which is paid for those of France. This treaty, though evidently in favour of Portugal, has been celebrated as the master-piece of the commercial policy of England, as bringing to her a large share of the precious metals. It has been estimated, that the Lisbon packet brings 50,000*l.* in gold and silver every week into England. But if this were true, it does not follow that the trade is more advantageous than any other, in which, for the same value sent out, we receive an equal value of consumable

sumable goods in return. It is but a small part of this importation which can be employed as an annual addition to the plate, or coin of the kingdom. The rest must be sent abroad and exchanged for consumable goods. But if these consumable goods were purchased directly with the produce of English industry, it would be of more advantage to England: A direct foreign trade being more advantageous than a round about one. Tho' Great Britain were excluded from the Portugal trade, it would find no difficulty in purchasing its annual supplies of gold and silver; for the annual supplies of gold in Portugal must be sent abroad, where Great Britain might buy it at little more expence than she could at first hand in Portugal. Almost all our gold and silver is said to come from Portugal: with other nations the balance of trade is either against us, or not much in our favour. But the more gold we import from one country, the less we must necessarily import from others. The effectual demand for gold, is limited to a certain quantity. The more gold annually imported from some particular countries, over and above what is requisite for plate and coin, the more must be exported to other countries, and the more the balance of trade will appear to be in our favour with some countries, and the more against us with others. It was upon the silly notion that England could not subsist without the trade of Portugal, that France and Spain once combined to exclude British ships from the ports of Portugal. The loss of this trade would have embarrassed our merchants for a year or two; but we should have been freed from the burden of supporting a very weak ally; and in this would have consisted all the inconveniency which England would have suffered from this notable piece of commercial policy. P. 323—31.

The great annual importation of gold and silver, is neither for the purpose of plate nor of coin, but of foreign trade, which can be carried on better by means of these

these metals, than of almost any other goods. They are the universal instruments of commerce, and are easily conveyed from place to place. In facilitating the round-about foreign trades of consumption which are carried on in Great Britain, consists the principal advantages of the Portugal trade. The new plate made by goldsmiths, is, for the most part, made from other old plate melted down, so that the addition made to the whole plate of the kingdom cannot be very great. It is the same case with the coin. While there is an evident profit in melting new guineas, the operations of the mint will be like the web of Penelope, the work that is done in the day will be undone in the night. But were the people who carry their gold and silver to the mint to pay for the coinage, it would add to the value of the metals. Coined gold would be more valuable than uncoined. The seignorage, if it was not exorbitant, would add to the bullion, the whole value of the duty. But if the duty was exorbitant, it would encourage false coining. A seignorage will diminish the profit of melting down new coin, which always arises from the difference between the quantity of bullion which the common currency ought to contain, and that which it does really contain. A seignorage is, therefore, the most effectual way to prevent the melting or exporting of coin. The law for the encouragement of the coinage, by rendering it duty free, for a limited time, was enacted during the reign of Charles II. In 1769, it was rendered perpetual in compliance to the Bank of England, who supposed it their interest, that the coinage should be at the expence of government, rather than at their own; this may perhaps be found to be a mistake. If there was a reasonable seignorage, while at the same time the coin contained its full standard weight, whatever the bank might lose in seignorage, they

they would gain upon the price of bullion, and *vice versa*. P. 332—9.

When the tax upon a commodity is so moderate as not to encourage smuggling, the merchant who deals in it, though he advances, does not properly pay the tax. The tax is finally paid by the consumer. But money is a commodity with regard to which every man is a merchant. Nobody buys it but in order to sell again, and in this there is, properly, no last consumer. When the tax upon coinage, therefore, is so moderate as not to encourage false coining, though every body advances the tax, nobody finally pays it, because every body gets it back in the advanced value of coin. A moderate seignorage, therefore, would not augment the expence of the bank, and the want of it does not diminish it. The government, when it defrays the expence of coinage, incurs expence, and loses revenue, and nobody is benefited by this useless piece of public generosity, P. 339—43.

CHAP. VII.

Of Colonies.

PART I.

Of the motives for establishing new Colonies.

THE interest which occasioned the first settlement of the European colonies in America, and the West Indies, was not so plain and distinct as that which directed the establishment of those of antient Greece and Rome. The states of Greece possessed, each of them, but a small territory, and when the people in any one of them multiplied beyond what that territory could maintain,

a part were sent in quest of a new habitation, in some distant part of the world. The mother city considered the colony as an emancipated child, over whom she claimed no jurisdiction. P. 343.

Rome was founded upon an Agrarian law. The course of human affairs deranged the original division, and threw the lands of many families into the possession of a single person. Hence the law restricting the quantity of land which any citizen could possess, to about 350 English acres. This law was soon neglected, and the inequality of fortunes went on continually increasing. The greater part of the citizens had no land, and had scarce any other means of subsistence, but the bounties of the candidates at the annual elections. Excited by the tribunes, the people became clamorous to get land. To satisfy them, they frequently proposed to send out a new colony to some of the conquered provinces of Italy, where they were subject to the jurisdiction of the mother city. Roman colonies were different from the Greek ones. Both institutions derived their origin from necessity, or from evident utility. P. 344—6.

The establishment of the European colonies in America, and the West Indies, arose from no necessity; and though the utility which has resulted from them has been great, it is not so evident. The Venetians, during the 14th and 15th centuries, carried on an advantageous commerce in East India goods which they purchased in Egypt. The profits of the Venetians tempted the avidity of the Portuguese. In 1497, Vasco de Gama sailed from Lisbon, and in eleven months arrived upon the coast of Indostan. Some years before this, Columbus, a Genoese pilot, formed the daring project of sailing to the East Indies by the West; and after a voyage of two or three months, he discovered the Bahama Islands, and the Island of St. Domingo. This he, at first, mistook for China. In consequence of this mistake of Columbus, the name of Indies has stuck to those countries ever since;

since. These countries were represented to the court of Spain as of great consequence, though in the *animal* and *vegetable* productions of the soil, there was, at that time, nothing which could justify such a representation of them. Columbus turned his view towards their *minerals*, and he supposed that he had found a full compensation for the insignificance of those of the other two. He accordingly proposed, that the half of the gold and silver that should be found there, should belong to the crown. But when the natives were stript of their ornaments, and it became necessary to dig for these metals in the mines, there was no possibility of paying this tax, and it was at length reduced to a twentieth part of the gross produce of the gold mines. All the other enterprises of the Spaniards, in the new world, seem to have been prompted by the love of gold. P. 347—53.

No projects are more ruinous than the search after new gold and silver mines. They ought not, therefore, to meet with any extraordinary encouragements from the prudent lawgiver, who desires to increase the capital of his nation : he should not turn towards them a greater share of that capital than what would go to them of its own accord. Though the judgment of sober reason and experience concerning such projects has been always unfavourable, that of human avidity has been quite otherwise. P. 354—5.

A project of commerce to the East Indies gave occasion to the first discovery of the West. A project of conquest gave occasion to all the establishments of the Spaniards in those newly discovered countries. The motive was the gold and silver mines, and a course of accidents rendered the project successful. The first adventurers of all the other nations of Europe, were animated with the same views but were not equally successful. P. 356—7.

P A R T II.

Causes of the Prosperity of new Colonies.

THE colony of a civilized nation advances more rapidly to wealth and greatness than any other human society. The colonists carry out with them a knowledge of agriculture, and of other useful arts, superior to what can grow up of its own accord, in the course of many centuries among savage nations. They carry out with them too the habit of subordination ;—some notion of the government and laws of their own country. Every colonist gets more land than he can cultivate. He has no rent and few taxes to pay. The extensiveness of his land makes him endeavour to collect labourers, and to reward them with the most liberal wages. These labourers soon become landlords. The liberal reward of labour encourages marriage. Children, during infancy, are well taken care of, and when they grow up the value of their labour greatly overpays their maintenance. P. 358—9.

In other countries, rent and profit eat up wages, and the two superior orders of the people oppress the inferior one. But in new colonies the inferior order is treated with humanity, if it is not in a state of slavery. Waste lands of the greatest fertility are to be had for a trifle. The profit of the proprietor is very great, but this cannot be made without employing the labour of other people. This he is willing to do at any price. High wages encourage population. The plenty of good land encourages improvement. What encourages the progress of population and improvement, encourages that of real wealth and greatness.

The progress of many of the Greek colonies towards wealth, seems accordingly to have been very rapid. In a century or two they rivalled their mother cities.

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The history of the Roman colonies is by no means so brilliant, on account of the want of land, and liberty to manage their own affairs in the way they judged best.

In the plenty of good land, the European colonies, established in America, resemble those of antient Greece. In their dependency upon the mother state, they resemble those of antient Rome. But owing to their situation, they were left a good deal to pursue their own interest, in their own way, and their progress in wealth, population, and improvement, has been very great. P. 359—62.

The crown of Spain, by its share of the gold and silver, derived some revenue from its colonies, from their first establishment. They accordingly attracted the notice of their mother country, while those of the other European nations were for a long time neglected. The former did not, perhaps, thrive the better for this attention, nor the latter the worse in consequence of this neglect. The Spanish colonies are considered as less populous and thriving, than those of almost any other European nation, nevertheless their progress in improvement, has certainly been very rapid. Before the conquest there were no beasts of burden, either in Mexico or Peru. The use of iron was not known. They had no coined money, nor any established instrument of commerce. P. 362—4.

After the settlements of the Spaniards, that of the Portuguese in Brazil, is the oldest of any European nation in America. But as for a long time after the first discovery, neither gold nor silver mines were found in it, and as it afforded but little revenue to the crown, it was in a great measure neglected, during which, it grew up to be a powerful colony: no one in America is supposed to contain a greater number of people of European extraction. P. 364—5.

About the end of the 15th, and during the most of the 16th century, Spain and Portugal were the two great naval powers. The Spaniards claimed all America

as their own, though they could not hinder the Portuguese from settling in Brazil. The French who attempted to settle in Florida were all murdered by the Spaniards. By the destruction of the invincible Armada they became unable to obstruct the settlements of other European nations. In the course of the 17th century, therefore, the English, French, Dutch, Danes, and Swedes attempted to make settlements in the new world.

The Swedes established themselves in New Jersey; but they were soon swallowed up by the Dutch colony of New York, which again fell under the dominion of the English.

The Danes possessed only the small islands of St. Thomas, and Santa Cruz. These settlements were under the government of an exclusive company, which is, perhaps, the worst of all governments; they nevertheless made some progress in improvement, and since the company was dissolved, the prosperity of these colonies has been very great.

The Dutch settlements were originally put under the government of an exclusive company. Their progress has been slow, in comparison with that of the greater part of new colonies.

The French colony of Canada was, during the greater part of the last century, and some part of the present, under the government of an exclusive company. Its progress was necessarily slow, but it became rapid when the company was dissolved. The colony of St. Domingo was established by pirates, who, for a long time, neither required protection, nor acknowledged the authority of France; and when that race of banditti became so far citizens as to acknowledge this authority, it was, for a long time, necessary to exercise it with great gentleness. During this period the population and improvement of the colony increased very fast. P. 365—9.

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But there are no colonies of which the progress has been more rapid than those of the English in North America. Plenty of good land, and the liberty of managing their own affairs in their own way, were the two great causes of their prosperity. Besides, the political institutions of the English colonies have been more favourable to the improvement of this land than those of any of the other three nations.

I. The engrossing of uncultivated land has been more restrained in the English colonies than in any others.

II. In Pennsylvania there is no right of primogeniture. In three of the provinces of New England, the oldest has only a double share. In the others, the right of primogeniture takes place. But the tenure of lands is such as facilitates alienation.

III. The taxes of the English colonies are more moderate, than those of any other European nations.

IV. The English colonies have been allowed a more extensive market than those of other countries. Every European nation has endeavoured more or less to monopolize to itself the commerce of its colonies. But the manner in which this monopoly has been exercised in different nations has been very different.

Some nations have given up the whole commerce of their colonies to an exclusive company, of whom the colonies were obliged to buy all such European goods as they wanted, and to whom they were obliged to sell the whole of their own surplus produce. This has been the policy of Holland.

Other nations have confined the whole commerce of their colonies to a particular port of the mother country. The trade which was carried on in this manner, would necessarily be conducted very nearly upon the same principles as that of an exclusive company.

Other nations leave the trade of their colonies free to all their subjects, who may carry it on from all the different ports of the mother country. Under this policy
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the colonies are enabled both to sell their own produce, and to buy the goods of Europe at a reasonable price. This has been the policy of England. P. 370—7.

In the exportation of their own surplus produce too, it is only with regard to certain commodities that the colonies of Great Britain are confined to the market of the mother country. These commodities having been enumerated in the act of navigation, are called *enumerated commodities*. The rest are called *non-enumerated*, and may be exported directly to other countries, provided it is in British or Plantation ships. Among these last are some of the most important productions of America and the West Indies; *grain of all sorts, lumber, salt provisions, fish, sugar, and rum*. If the whole surplus produce of America in *grain, salt provisions, and in fish* had been put into *enumeration*, and thereby forced into the market of Great Britain, it would have interfered too much with the produce of the industry of our own people. The *non-enumerated* commodities could originally be exported to all parts of the world. Lumber and rice were afterwards confined, as to the European market, to the countries that lie south of Cape Finisterre; and by the 6th of Geo. III. c. 52. all *non-enumerated* commodities were subjected to the like restriction. P. 378—81.

The *enumerated* commodities are of two sorts: (1.) Such as are either the peculiar produce of America, or as are *not* produced in the mother country: (2.) Such as are *not* the peculiar produce of America, but which are, and may be produced in the mother country, though not in quantities sufficient to supply the demand. The largest importation of goods of the *first* kind could not discourage the growth, or interfere with the sale of any part of the produce of the mother country. The importation of commodities of the *second* kind might be so managed, it was supposed, as to interfere not with the sale of those of the same kind which were produced

at home, but with that of those which were imported from foreign countries. The most perfect freedom of trade is permitted between the British colonies, and the West Indies, both in the enumerated, and in the non-enumerated commodities. The liberality of England, however, towards the trade of her colonies, has been confined chiefly to what concerns the market for their produce, either in its rude state, or in the very first stage of manufacture. P. 382—7.

Great Britain too, as she confines to her own market some of the most important productions of the colonies, so in compensation she gives to some of them an advantage in that market, sometimes by imposing higher duties upon the like productions when imported from other countries, and sometimes by giving bounties upon their importation from the colonies.

With regard to the importation of goods from Europe, England has likewise dealt more liberally with her colonies than any other nations: they are, however, by no means independent foreign countries. P. 388—9.

Of the greater part of the regulations concerning the colony trade, the merchants who carry it on, have been the principal advisers. We must not wonder, therefore, if, in the greater part of them, their interest has been more considered than either that of the colonies, or that of the mother country. Though the policy of Great Britain has been dictated by the same *mercantile* spirit as that of other nations, it has been less oppressive than that of any of them. In every thing, except their foreign trade, the liberty of the English colonists to manage their own affairs their own way is complete. P. 390—2.

The absolute governments of Spain, Portugal, and France, take place in their colonies. It is in the *progress* of the North American colonies, however, that the superiority of the English policy chiefly appears. The progress of the sugar colonies of France has been, per-

haps, superior to those of England, owing to the liberty they have of refining their own sugar, and also to the better management of their slaves. That the condition of the slaves is better under an arbitrary, than under a free government, is supported by the history of all ages and nations. The prosperity of the English sugar colonies has been, in a great measure, owing to the great riches of England, of which a part has overflowed on those colonies. But the prosperity of the sugar colonies of France has been entirely owing to the good conduct of the colonists, which must have had some superiority over that of the English, and in nothing so much as in the good management of their slaves. P. 396—7.

The policy of Europe, therefore, seems to have little to boast of either in the original establishment, or so far as concerns their internal government, in the subsequent prosperity of the colonies of America. Folly and injustice seem to have been the principles which directed the first project of establishing those colonies. The adventurers who formed some of the later establishments joined to the chimerical project of finding gold and silver mines, other motives more reasonable and more laudable, but even these motives do very little honour to the policy of Europe.

The English Puritans fled for freedom to America, and established the four governments of New England. The English Catholics, treated with still greater injustice, established that of Maryland. The Quakers that of Pennsylvania. The Portuguese Jews were banished to Brazil. In effectuating some of the most important of these establishments, the governments of Europe had as little merit, as in projecting them. When these establishments were effectuated, and had become so considerable as to attract the attention of the mother country, the first regulations she made was to confine their market, and to enlarge her own at their expence. In

one way only has Europe contributed either to the first establishment, or to the present grandeur of the colonies of America. It bred and formed the men who were capable of atchieving such great actions, and of laying the foundation of so great an empire. P. 398—9.

PART III.

Of the advantages which Europe has derived from the discovery of America, and from that of a passage to the East Indies by the Cape of Good Hope.

THE advantages which Europe has derived from the discovery and colonization of America may be divided:

I. Into the *general* advantages which Europe, considered as one great country, has derived from those great events; and,

II. Into the *particular* advantages which each colonizing country has derived from the colonies which belong to it.

The *general* advantages which Europe has derived from America, consist, (1.) In the increase of its enjoyments, by being furnished with a variety of commodities, which it would otherwise not have possessed: and, (2.) In the augmentation of its industry, either directly, or indirectly. P. 400—3.

The *exclusive* trade of the mother countries tends to diminish both the enjoyments, and industry of Europe in general, and of the American colonies in particular. By rendering the colony produce dearer, in all other countries, it lessens its consumption, and thereby cramps the industry of the colonies, and both the enjoyments, and the industry of other countries which both enjoy less, when they pay more for what they enjoy, and produce less when they get less for what they produce.

By rendering the produce of all other countries dearer in the colonies, it cramps in the same manner, the industry of all other countries, and both the enjoyment and the industry of the colonies. P. 403—4.

The *particular* advantages which each colonizing country derives from its own colonies are of two kinds: (1.) Those common advantages which every empire derives from the provinces subject to its dominion, and which consist in the military force which they furnish for its defence;—and in the revenue which they furnish for the support of its civil government. The Roman colonies furnished both. Those belonging to Greece only the former. And the European colonies have furnished neither, excepting those belonging to Spain and Portugal, which contributed some revenue. (2.) Those peculiar advantages which are supposed to result from provinces of so very peculiar a nature as the European colonies of America, the source of which is the *exclusive* trade. This advantage is, however, rather a relative than an absolute advantage. The tobacco of Maryland, for instance, comes cheaper to England than it can to France; but had the trade to Maryland been *free* to all countries, it might have come cheaper to those countries than it actually does, and likewise to England. In this case, England would not have had any advantage over other countries;—in gaining an *absolute*, she would have lost a *relative* advantage. P. 404—8.

To obtain this relative advantage, England has subjected herself both to an absolute, and to a relative disadvantage in almost every other branch of trade. When England assumed to herself the monopoly of the colony trade, the foreign capitals were withdrawn from it. The English capital not being sufficient to carry on the whole trade, the goods which it did supply were sold dear. And what it bought, it bought very cheap. The profit of the merchant must, consequently, have been very great. The superiority of profit in the colony trade could not fail to draw from other branches of trade a
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part of the capital which had been employed in them, which must have diminished the competition in all those branches of trade, and consequently must have raised the profits till they all came to a new level, somewhat higher than they were before.

This double effect of drawing capital from all other trades, and of raising the rate of profit was not only produced by this monopoly upon its first establishment, but has continued to be produced by it ever since. P. 408—10.

First, This monopoly has been continually drawing capital from all other trades to be employed in that of the colonies.

The wealth of Great Britain has not increased in the same proportion as that of the colonies; but the foreign trade of every country naturally increases in proportion to its wealth. Great Britain having engrossed all the colony trade, and her capital not having increased in the same proportion as the extent of the trade, she must have withdrawn some capital from other branches of trade. Since the establishment of the act of navigation, the colony trade has increased, and many other branches of foreign trade have been decaying. Our manufactures for foreign sale have been suited to the colonies instead of the European market. Thus has the trade of Great Britain had a total change in its direction. P. 410—13.

Secondly, This monopoly has contributed to keep up the rate of profit in all the branches of British trade higher than it naturally would have been, had all nations been allowed a free trade to the British colonies.

Whatever raises in any country the ordinary rate of profit, subjects that country both to an absolute, and to a relative disadvantage in every branch of trade of which she has *not* the monopoly.

It is in this manner that the capital of Great Britain has been partly drawn, and partly driven from the
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greater part of the different branches of trade of which she has not the monopoly.

The most advantageous employment of any capital to the country to which it belongs, is that which maintains there the greatest quantity of productive labour and increases the most the annual produce of the land and labour of that country, which is in proportion to the frequency of the *returns* : consequently a foreign trade of consumption carried on with a neighbouring, is, in general, more advantageous than one carried on with a distant country ; and a *direct* foreign trade is more advantageous than a round-about one. But the monopoly of the colony trade has, in all cases, forced some part of the capital into a trade whose returns are the most distant.

P. 413—7.

First, the monopoly of the colony trade has in all cases forced part of the capital of Great Britain from the foreign trade of consumption carried on with a neighbouring, to one carried on with a more distant country.

It has forced part of the capital from the trade with Europe, and the countries which lie round the Mediterranean sea, to that with America and the West-Indies. But the returns in the latter trade are three or four times more distant, than those of the former, and though the profit of the merchant may be as great in one as the other, yet the advantage to the country never can.

P. 418—19.

Secondly. The monopoly of the colony trade, has, in many cases, forced some part of the capital of Great Britain, from a direct foreign trade of consumption, into a round-about one.

Among the enumerated commodities there are several of which the quantity exceeds the consumption of Great Britain, and of which a part must be exported to other countries. But this cannot be done without forcing a part of the capital of Great Britain into the round-about foreign

foreign tradé. If in the *direct* trade with America the whole capital employed does not come back in less than three or four years; in the round-about trade it is not likely to come back in less than four or five. If the one can keep in constant employment but a third or a fourth part of the domestic industry, which could be maintained by a capital returned once a year, the other can only keep in constant employ a fourth or a fifth part of that industry. P. 420—2.

The monopoly of the colony trade too has forced some part of the capital of Great Britain from all foreign trade of consumption, into the carrying trade, and consequently from supporting the industry of Great Britain to be employed altogether in supporting partly that of the colonies, and partly that of some other countries:—it seems also to have broken altogether that natural balance which would otherwise have taken place among all the different branches of British industry, which instead of being accommodated to a great number of small markets, has been principally suited to one great market. P. 422—8.

We must carefully distinguish between the effects of the colony trade, and those of the monopoly of that trade. The former are always beneficial; the latter are always hurtful. The former are so beneficial, that the colony trade, notwithstanding the effects of monopoly, is still greatly beneficial on the whole. The effect of the colony trade, in its free state, is to open a great, though distant market for such parts of the produce of British industry as may exceed the demand of the markets nearer home. It tends to increase the quantity of productive labour in Great Britain, without altering in any respect the direction of that which had been employed there before. In the free state of the colony trade, the competition of all other nations will hinder the rate of profit from rising above the common level, either in the new market or in the new employment.—The monopoly of the colony trade, on the contrary, raises the rate of profit, in the new market
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and in the new employment, and draws produce from the old market, and capital from the old employment.

P. 429—31.

The colony trade opens a new market for the manufactured produce of Europe. The colonies abound in rude produce, and have a large surplus to export. That the monopoly of the trade of populous and thriving colonies is not sufficient to establish or maintain manufactures in any country is evident from the experience of Spain and Portugal, in which countries the bad effects of the monopoly aggravated by the irregular and partial administration of justice, have nearly overbalanced the good effects of the colony trade. F. 432—3.

In England the natural good effects of the colony trade assisted by the general liberty of trade, and the equal administration of justice, have in a great measure conquered the bad effects of monopoly. The monopoly of the colony trade like all other mean expedients of the mercantile system, depresses the industry of all other countries, but chiefly that of the colonies, without increasing that of the country in whose favour it is established. It hinders the capital of the country from maintaining so great a quantity of productive labour as it would otherwise maintain; and from affording so great a revenue as it would afford. By raising the rate of mercantile profit, the monopoly discourages the improvement of land, which retards the natural increase of another original source of revenue, the rent of land. By raising the rate of profit, the market rate of interest is kept higher. But the price of land, in proportion to the rent, falls as the rate of interest rises. The monopoly, therefore, hurts the interest of the landlord by retarding the increase of rent; and of the price which he would get for his land in proportion to the rent which it affords. P. 434—6.

The monopoly augments the gain of the merchants, but it renders less abundant the wages of labour; the

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rent of land, and the profits of stock. It is by raising the rate of profit that monopoly proves advantageous to any particular order of men. But the high rate of profit seems every where to destroy that parsimony natural to the character of the merchant, and to introduce habits of luxury and disorder into every class of the people. Thus the single advantage, which the monopoly procures to a single order of men, is in many different ways hurtful to the general interest of the country. P. 437—9.

The maintenance of this monopoly is perhaps the sole end of the dominion which Great Britain assumes over her colonies. The monopoly is the principal badge, and the sole fruit of their dependance. Whatever expence, therefore has been laid out in maintaining this dependency has really been laid out to support this monopoly. Under the present system of management, Great Britain derives nothing but loss from the dominion which she assumes over her colonies, P. 441—3. *

The discovery of America, and that of a passage to the East-Indies by the Cape of Good Hope are the two greatest events recorded in the history of mankind. Their consequences have already been great, but the whole extent of them cannot have been known. By uniting the most distant parts of the world ; by enabling them to relieve one another's wants ; and to encrease one another's enjoyments, their tendency would seem beneficial. To the natives, however, of both the West and East-Indies, all commercial benefits have been lost in the dreadful misfortunes which they have occasioned ; which misfortunes seem to have arisen rather from accident than from any thing in the nature of those events themselves. One of the principal effects of those discoveries

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* The next 15 pages of the original work are devoted to conjectures on the probable issue of the dispute with the American colonies. They are, therefore, for obvious reasons, omitted in this Analysis.—Ed.

has been to raise the mercantile system to a degree of splendour which it could never otherwise have attained to. By these discoveries, the commercial towns of Europe, instead of being the manufacturers and carriers for a part of Europe only, have become manufacturers and carriers for the cultivators of America, and for the different nations of Asia and Africa. P. 458—9.

The countries which possess the colonies of America, and which trade directly to the East Indies, enjoy the whole splendour of this commerce. Other countries frequently enjoy the greater share of the real benefit. Even the regulations by which each nation endeavours to secure to itself the exclusive trade of its own colonies, are frequently more hurtful to the countries in favour of which they are established, than to those against which they are established. After all the unjust attempts therefore, of every country to engross the whole advantage of the trade of its own colonies, no country has been able to engross to itself any thing but the expence of supporting in time of peace, and of defending in time of war, the oppressive authority which it assumes over them. P. 460—2.

The monopoly of the great commerce of America, seems an acquisition of the highest value. The greatness of the commerce is the quality, which renders the monopoly hurtful, or which makes one employment absorb a greater proportion of the capital of the country than what would otherwise have gone to it. The mercantile stock of every country seeks the employment most advantageous to that country; it naturally courts the near, and shuns the distant employment. But if in any distant employments, the profit should happen to rise higher than what is sufficient to balance the natural preference which is given to nearer employments, this superiority of profit will draw stock from those nearer employments till the profits return to their proper level. This superiority of profit is a proof that the
stock

stock of the society is not distributed in the properest manner among all the different employments carried on in it. It is a proof that something is either bought cheaper, or sold dearer than it ought to be. A distant employment may be as necessary for a society as a near one, the goods which a distant employment deals in being necessary for carrying on many nearer employments. But if the profits of those who deal in such goods are above their proper level, those goods will be sold dearer than they ought to be. The interest, therefore, of those engaged in the nearer employments, requires that some stock should be withdrawn from the nearer employments, and turned towards the distant one. The public interest requires the same. Without any intervention of law, therefore, the private interests of men lead them to distribute the stock of every society in the manner most agreeable to the interests of that society. P. 463—6.

All the different regulations of the mercantile system, derange the natural distributions of stock. Those which concern the trade to America and the East Indies derange it more than any other. Monopoly is the engine of the mercantile system. In the trade to America every nation endeavours to engross the whole market of its own colonies, which is a monopoly of one kind. The Portuguese endeavoured, formerly, to manage the trade to the East Indies in the same manner. The trade to the East Indies, since the fall of the power of Portugal, has in every European country been subjected to an exclusive company, which is a monopoly of another kind. Monopolies of this kind are, properly, established against the very nation which erects them. Both kind of monopolies derange the natural distribution of the stock of the society, but they do not always derange it in the same way. The *first* kind always attracts to a particular trade, a greater proportion of the stock of the society than would go to that trade of its own ac-

cord. The *second* kind, may, sometimes attract towards a particular trade, a greater proportion of the stock of the society than what would naturally go to that trade, according as the society is rich or poor. P. 466—9.

Every derangement of the natural distribution of stock is necessarily hurtful to the society in which it takes place. Exclusive companies are not necessary to carry on the East India trade. The Portuguese enjoyed it for more than a century without an exclusive company. P. 470—2.

The Europeans have not yet established in Africa, or in the East Indies such numerous and thriving colonies as those in the islands and continent of America. Africa and the East Indies are nevertheless inhabited by barbarous nations; but they were not so weak and defenceless as the Americans, and were much more populous. The genius of exclusive companies, besides, is unfavourable to the growth of new colonies. The Dutch settlements at the Cape of Good Hope and at Batavia, are the most considerable colonies which the Europeans have established either in the East Indies, or in Africa; and both of these are peculiarly fortunate in their situation, the advantages of which, have enabled those two colonies to surmount all the obstacles occasioned by an exclusive company. P. 473—5.

The English and Dutch companies have made considerable conquests in the East Indies. But in the manner in which they govern their new subjects, the natural genius of an exclusive company has shewn itself most distinctly. Nothing, however, can be more contrary to the real interest of those companies as sovereigns, than the destructive plan which they have pursued. The revenue of the sovereign is drawn from that of the people. The greater the revenue of the people, the more they can afford to the sovereign; it is his interest, therefore, to increase as much as possible that revenue;—consequently to open the most extensive market for the produce

duce of his country, and to abolish all monopolies, and all restraints upon free trade. But a company of merchants are incapable of considering themselves as sovereigns, even after they have become such. Trade they consider as their principal business. Their mercantile habits draw them to prefer the transitory profit of the monopolist, to the permanent revenue of the sovereign. As sovereigns their interest is the same with that of the country they govern. As merchants it is directly opposite. P. 476—9.

If the genius of such a government, even as to what concerns its direction in Europe, is, in this manner essentially faulty, that of its administration in India is still more so. That administration is composed of a council of merchants, who can command obedience only by military force. Their proper business is that of merchants. The genius of the administration tends, therefore, to make government subservient to the interest of monopoly. All the members of the administration, besides, trade more or less upon their own account, and it is in vain to prohibit them from so doing. They will endeavour to establish the same monopoly in favour of their own private trade, as of the public trade of the company; but the private trade will extend to the greater variety of articles. They will be more disposed to support with rigorous severity their own interest against that of the country which they govern, than their masters can be to support theirs. The country belongs to their masters, who must have some regard for the interest of what belongs to them. But it does not belong to the servants. The real interest of the masters is the same with that of the country, and it is from ignorance that they oppress it. The regulations accordingly which have been sent out from Europe, though frequently weak, have upon most occasions, been well meant. P. 480—4.

CHAP. VIII.

Conclusion of the mercantile System.

THOUGH the encouragement of exportation, and the discouragement of importation, are the two great engines by which the mercantile system proposes to enrich every country, yet with regard to some commodities it discourages exportation and encourages importation. Its ultimate object is always the same, to enrich the country, by an advantageous balance of trade. It discourages the exportation of the materials of manufacture; and of the instruments of trade, to give our workmen an advantage. It encourages the importation of the materials of manufacture, that our workmen may be enabled to work them up more cheaply. To encourage the importation of the instruments of trade would interfere too much with the interest of our manufactures. Such importation has therefore frequently been prohibited. P. 485—6.

The importation of the materials of manufacture has sometimes been encouraged by an exemption from duties to which other goods are subject;—and sometimes by bounties.—The importation of sheep's wool;—cotton wool;—undressed flax, and hides;—dyeing drugs;—and Iron has been uncouraged by an exemption from all duties. These exemptions have sometimes been extended beyond what can be justly called the rude materials of work. P. 487—8.

The encouragement given to the importation of the materials of manufacture by *bounties*, has been principally confined to such as were imported from our American plantations. The first bounties of this kind were granted about the beginning of the present century.

The same commodities upon which we gave bounties, when imported from America, were subjected to considerable

considerable duties when imported from any other country. P. 487—93.

The exportation of the materials of manufacture is sometimes discouraged by absolute prohibitions, and sometimes by high duties. Our woollen manufacturers have obtained monopoly against the consumers by a prohibition of importing woollen cloths; and also another monopoly by a prohibition of the exportation of live sheep and wool. By a statute of Elizabeth, the exporter of sheep, was, for the first offence, to forfeit all his goods;—to suffer a years imprisonment;—and then to have his left hand cut off: and for the second offence to suffer death. By a statute of Charles II. the exportation of wool was made felony. The *first* of these statutes was *virtually* repealed by the 12th of Charles II. which imposes a penalty of 20s. for every sheep exported: and the *second* was expressly repealed by the 8th of William III. c. 28. The penalties are still sufficiently severe. Besides the forfeiture of the goods, the exporter incurs the penalty of 3s. for every pound of wool exported or attempted to be exported. A person convicted of this offence is disabled from requiring any debt belonging to him: and if he is not able to pay those heavy penalties he is to be transported for 7 years. P. 494—6.

In order to prevent exportation, the whole *inland* commerce of wool is laid under very oppressive restrictions. But the restrictions in the counties of Kent and Suffex are more troublesome than those in the rest of the kingdom. The *coasting* trade is also subject to many restrictions. P. 497—8.

Our woollen manufacturerers, to justify their demand of such regulations, asserted that English wool was superior to that of any other country; and that if the exportation of it could be totally prevented, England could monopolize the whole woollen trade of the world. This is so false, that English Wool is entirely unfit for making

making *fine* cloth, which is made altogether of Spanish wool. P. 499.

It has been shewn that the effect of these regulations has been to depress the price of English wool even below what it was in the time of Edward III. The price of Scots wool since the union, is said to have fallen about one half. This reduction of price has not probably, much reduced the *quantity* of the annual produce, since the growing of wool is not the chief purpose for which the sheep farmer employs his industry and stock. Neither does this reduction of price seem to have had any effect upon the *quality* of wool. The quality of the fleece depends upon the health, growth, and bulk of the animal, the same attention which is necessary for the improvement of the *carcase*, is, in some respects, sufficient for the fleece. The violence of these regulations, therefore, seems to have affected neither the *quantity*, nor the *quality* of the annual produce of wool, so much as it might have been expected to do. P. 500—3.

These considerations, however, will not justify the *prohibition* of the exportation of wool. But they will fully justify the imposition of a considerable *tax* upon that exportation. The *prohibition* injures one order of citizens, for the benefit of another, which is unjust. A *tax* would hurt the interest of the growers of wool, *less* than the prohibition;—and would afford sufficient advantage to the manufacturer. The *prohibition* does not prevent the exportation, which is advantageous to nobody but the smuggler. A legal exportation, subject to a tax, might prove advantageous to all the subjects of the state. The exportation of fuller's earth and tobacco-pipe clay has been laid under the same prohibitions and penalties. Even the horns of cattle are prohibited to be exported. P. 504—6.

There are *restraints* upon the exportation of divers goods, which are partially, but not completely manufactured: such as woollen yarn and worsted;—white
cloths

cloths (for the benefit of the dyers;)—watch cases, dial plates, &c. By some old statutes the exportation of metals was prohibited. Lead and tin were alone excepted, probably on account of the great abundance of those metals. For the encouragement of the mining trade a statute of William and Mary exempted from this prohibition, iron, copper, and mundic metal made from British ore. Brass manufactures may be exported duty free. P. 507.

The exportation of the materials of manufacture, where it is not altogether prohibited, is in many cases subjected to considerable duties. P. 508—11.

Coals may be considered both as a material of manufacture, and an instrument of trade. Heavy duties accordingly, have been imposed upon their exportation. The exportation, however, of the instruments of trade, properly so called, is commonly restrained by absolute prohibitions. When heavy penalties were imposed upon the exportation of the dead instruments of trade, it could not be expected that the *artificer* should go free. Accordingly the person convicted of enticing any artificer to go to foreign parts, in order to practice or teach his trade, is liable to very heavy penalties. So also is the artificer himself, if having gone beyond the seas, he does not return upon notice being given him by his Majesty's secretary of state. Thus is the liberty of the subject sacrificed to the futile interests of our merchants and manufacturers. P. 512—14.

The motive of all these regulations is to extend our own manufactures, by depressing those of our neighbours. *Consumption* is the sole end of all production; and the interest of the producer ought to be attended to, only so far as it may be necessary for promoting that of the consumer. But in the mercantile system, the interest of the consumer is almost constantly sacrificed to that of the producer. It is for the benefit of the producer, that restraints are laid upon the importation of all

foreign commodities :—that bounties are granted upon the exportation of some of his productions :—and that the consumer, by the treaty with Portugal, is prevented, by high duties, from purchasing of a neighbouring country, a commodity which our own climate does not produce. But in our colony trade the interest of the consumer has been more particularly sacrificed, to that of the producer. The contrivers of this system have been the producers, and not the consumers. P. 515—18.

END OF THE SECOND VOLUME.

VOLUME III.

BOOK THE FOURTH.

CHAP. IX.

Of the Agricultural systems, or of those systems of political Economy, which represent the produce of land as either the sole or the principal source of the revenue and wealth of every country.

THAT system which represents the produce of land as the sole source of the wealth of every country, has never been adopted by any nation. It exists in the speculations of some men of learning in France. The following are the outlines of this ingenious system.

M. Colbert, the minister of Lewis XIV. embraced all the prejudices of the mercantile system. The industry and commerce of a great country, he endeavoured to regulate upon the same model as the departments of a public office: he bestowed, upon certain branches of industry, extraordinary privileges, while he laid others under extraordinary restraints. To support the industry of towns, he was willing to depress that of the country. The French philosophers, by representing agriculture as the *sole* source of the revenue and wealth of every country, seem to have undervalued the industry of towns, as M. Colbert certainly overvalued it.

They divide the people who have been supposed to contribute towards the annual produce of the land and labour of the country into three classes. The *first* is the class of the proprietors of land. The *second* is the class of cultivators, called *the productive class*. The *third* is the class of artificers, whom they term the unproductive class. P. 1—4.

The class of proprietors contributes to the annual produce by the expence which they lay out upon the improvement of land, upon buildings, &c. by means of which, the cultivators are enabled with the same capital to raise a greater produce, and consequently to pay a greater rent. Such expences are called *ground expences*. P. 4.

The cultivators contribute to the annual produce by what are, in this system, called the original, and annual expences which they lay out upon the cultivation of land. The *original* expences consist in the instruments of husbandry; in the stock of cattle; in the seed; and in the maintenance of the farmer's family, servants, and cattle, till he can receive some return from the land. The *annual* expences consist in the seed; in the wear and tear of the instruments of husbandry; and in the annual maintenance of the farmer's servants and cattle. That part of the produce of the land, which remains to him after paying the rent, ought to be sufficient to replace to him, in a reasonable term, his original, and annual expences, together with the ordinary profits of stock, or he cannot carry on his employment upon a level with other employments. The rent which belongs to the landlord, is no more than the neat produce which remains after paying all the necessary expences, which must be laid out in order to raise the whole produce. It is because the labour of the cultivators affords a neat produce of this kind, that this class of people are called the *productive class*. The *original* and *annual* expences are called *productive expences*: these, together

ther with the *ground expences* of the landlord, are the only three sorts of expences which, in this system, are considered as productive. P. 5—7.

Artificers and manufacturers are, in this system, represented as a class of people altogether *unproductive*. Their labour, it is said, replaces only the stock which employs them, together with its ordinary profits. Mercantile stock is equally unproductive. It only continues the existence of its own value, without producing any new value. P. 7—8.

The labour of artificers and manufacturers, never adds any thing to the value of the whole annual amount of the rude produce of the land. It adds, indeed, to the value of some particular parts of it. But the consumption which, in the mean time, it occasions of other parts, is precisely equal to the value which it adds to those parts. P. 9.

Artificers, manufacturers, and merchants, can augment the revenue and wealth of their society by parsimony only; or by depriving themselves of a part of the funds destined for their own subsistence. They annually re-produce nothing but those funds. Farmers and country labourers may enjoy the whole funds destined for their subsistence, and yet augment the wealth of their society. Nations, therefore, which, like France or England, consist in a great measure, of proprietors and cultivators, can be enriched by industry and enjoyment. Nations, on the contrary, which like Holland and Hamburgh, are composed of merchants, can grow rich only by parsimony. As the interest of nations is different, so is likewise the character of the common people. Those of the former kind are distinguished for liberality and frankness. Those of the latter for narrowness and selfish dispositions. P. 10—11.

The unproductive class is maintained and employed at the expence of the two other classes. They furnish it with materials of its work, and with the fund of its subsistence.

Subsistence. The unproductive class, however, is greatly useful to the other two classes. By their means, the proprietors and cultivators can purchase foreign goods, and the manufactured produce of their own country, with the produce of less labour than what they must employ to import the one, or to make the other.—By their means, the cultivators are delivered from many cares which would otherwise distract their attention from the cultivation of land. Thus the industry of merchants, manufacturers, &c. though in its own nature unproductive, contributes *indirectly* to increase the produce of the land. P. 11. 12.

It can never be the interest of the proprietors and cultivators, to restrain the industry of merchants and manufacturers. The greater the liberty which the unproductive class enjoys, the cheaper will the other classes be supplied with foreign goods, and with the manufactured produce of their own country. Nor can it be the interest of the unproductive class to oppress the other two. The establishment of perfect justice, liberty, and equality, is the secret which secures the highest degree of prosperity to all three classes. The same reasonings will apply to *mercantile* and what are called *landed* nations. According to this liberal system, the most advantageous method in which a landed nation can raise up artificers, manufacturers, and merchants of its own, is to grant the most perfect freedom of trade to the artificers, manufacturers, and merchants of other nations. P. 13—16.

When a landed nation, on the contrary, oppresses the trade of foreign nations, it necessarily hurts its own interest in two different ways. (1.) By raising the price of foreign goods and manufactures, it sinks the real value of the surplus produce of its own land, with which it purchases those goods and manufactures. (2.) By giving a sort of monopoly of the home market, it raises the rate of mercantile profit in proportion to that of agricultural

cultural profit, and consequently either draws from agriculture a part of the capital which had been employed in it, or hinders from going to it a part of what would otherwise have gone to it. This policy discourages agriculture. (1.) By sinking the real value of its produce, and thereby lowering the rate of its profit: and, (2.) By raising the rate of profit in all other employments, agriculture is rendered less advantageous, and trade and manufactures more advantageous than they would otherwise be; and every man is tempted to turn his capital and industry from the former to the latter employments. Though by this oppressive policy a landed nation should be able to raise up artificers, &c. sooner than by the freedom of trade; yet it would raise them prematurely. It would depress productive labour, by encouraging too hastily that labour which is unproductive. P. 17—20.

The capital error of this system, however, seems to lie in its representing the class of artificers, manufacturers, and merchants, as altogether barren and unproductive. For,

I. This class re-produces annually the value of its own annual consumption. We should not call a marriage barren, though it produced only a son and a daughter. P. 21.

II. It seems improper to consider artificers, &c. in the same light as menial servants. The labour of menial servants does not continue the existence of the fund which maintains and employs them; it perishes in the very instant of performance. The labour of artificers, &c. does realize itself in some vendible commodity. P. 22.

III. It seems improper to say, that the labour of artificers, &c. does not increase the real revenue of the society. Admitting that the consumption of this class was exactly equal to their production, it would not follow, that its labour added nothing to the real value of the

the annual produce of the land and labour of the society:

P. 23—4.

IV. Farmers and country labourers can no more augment, without parsimony, the real revenue, the annual produce of the land and labour of their society, than artificers, manufacturers, &c. The annual produce of the land and labour of any society can be augmented only, (1.) By some improvement in the productive powers of useful labour; or, (2.) By some increase in the quantity of that labour. The improvement in the productive powers of useful labour depends, *first*, upon the improvement in the ability of the workman: *secondly*, upon that of the machinery with which he works. In these respects the class of cultivators can have no sort of advantage over that of artificers and manufacturers. The increase in the quantity of useful labour employed within any society, must depend upon the increase of the capital which employed it, and *that* is equal to the amount of the savings from the revenue. If merchants, &c. are more inclined to parsimony than cultivators, they are more likely to augment the quantity of useful labour employed within their society.

P. 25.

V. Though the revenue of the inhabitants of every country was supposed to consist in the quantity of subsistence which their industry could procure them, yet the revenue of a trading and manufacturing country, must, other things being equal, always be much greater than that of one without trade or manufactures. By means of trade and manufactures, a greater quantity of subsistence can be annually imported into a particular country, than what its own lands could afford. A small quantity of manufactured produce purchases a great quantity of rude produce. A manufacturing country, therefore, purchases with a small part of its manufactured produce, a great part of the rude produce of other countries; while a country without manufactures is obliged

obliged to purchase, at the expence of a great part of its rude produce, a very small part of the manufactured produce of other countries. The inhabitants of the former will enjoy a greater quantity of subsistence than what their own lands could afford;—those of the latter must enjoy a smaller quantity. P. 26—7.

This system, with all its imperfections, is, perhaps, the nearest approximation to the truth that has yet been published upon the subject of political œconomy. Though in representing the labour which is employed upon land, as the *only* productive labour, the notions which it inculcates are too narrow;—yet in representing the wealth of nations as consisting in the consumable goods annually re-produced by the labour of the society, and in representing perfect liberty as the only effectual expedient for rendering this annual re-production, the greatest possible, its doctrine seems to be as just, as it is generous. The followers of this system are numerous, and are distinguished in France by the name of—*The Economists*. The admiration of the whole sect for their master, M. Quesnai, is not inferior to that of any of the antient philosophers, for the founders of their respective systems. The Marquis de Mirabeau reckons upon three great inventions, which have principally given stability to political society; (1.) The invention of writing: (2.) The invention of money: (3.) The economical table, which completes the other two, by perfecting their object. P. 28—9.

As the political economy of modern Europe has been more favourable to manufactures and foreign trade than to agriculture, so that of other nations has been more favourable to agriculture than to manufactures. The policy of China favours agriculture more than other employments; *there* the condition of the labourer is superior to that of the artificer. Except with Japan, the Chinese carry on little foreign trade. P. 30.

E e

Manufactures

Manufactures are, in almost all countries, the support of foreign trade. The perfection of manufacturing industry depends upon the division of labour, which is regulated by the extent of the market. The great extent of China, its vast population, its variety of climate, and its water carriage, render the home market sufficient to support very great manufactures. An extensive foreign trade would, however, much increase them, and improve the productive powers of manufacturing industry. P. 31—2.

The policy of antient Egypt, and of Indostan have favoured agriculture more than other employments: the whole body of the people were divided into different casts, each of which was confined, from father to son, to different employments. The cast of the priests held the highest rank; that of the soldiers the next; and the cast of the farmer and labourer was superior to that of merchants and manufacturers. The government of both countries was particularly attentive to the interest of agriculture. P. 33.

The antient Egyptians were, by a superstitious aversion to the sea, prohibited from all distant voyages. They depended on the navigation of other nations for the exportation of their surplus produce; this dependence must have discouraged the increase of this surplus produce. Manufactures require a more extensive market than the most important parts of the rude produce of land. A shoemaker, for instance, can supply fifty families with the produce of his own labour; but a person employed in agriculture cannot supply more than four. In Egypt and Indostan the confinement of the market, was, in some measure, compensated by the convenience of inland navigations. P. 34—5.

The sovereigns of China, Egypt, and Indostan, have derived the most considerable part of their revenue from some sort of land tax, which consisted in a certain proportion

proportion of the produce of the land. It was natural, therefore, that the sovereigns should be attentive to the interests of agriculture. The policy of the antient republics of Greece, and that of Rome, seems rather to have discouraged manufactures, than to have given any direct encouragement to agriculture. The employments of artificers and manufacturers were considered as hurtful to the strength and agility of the human body, and such as were fit only for slaves, who, consequently, were the only persons employed in them. Slaves are seldom inventive. Improvements in mechanics have been the discoveries of freemen. In manufactures carried on by slaves, more labour must be employed, than in those carried on by freemen. The work of the former must therefore be dearer than that of the latter. The Hungarian mines wrought by freemen, are more profitable than those of Turkey, in the same neighbourhood, wrought by slaves. The finer sorts of manufactures in the times of the Greeks and Romans were at a very high price. Silk sold for its weight in gold. Some cloths, dyed in a particular manner, cost 33l. 6s. 8d. the pound weight. This high price was probably owing to the dye. The cloths, however, must have been much dearer than at present, or so expensive a dye would not have been bestowed on them. P. 36—9.

The greatest and most important branch of the commerce of every nation is that carried on between the inhabitants of the town, and those of the country: the former draw from the country rude produce, and pay for this rude produce a part of it that is manufactured. The dearer the latter, the cheaper the former; and whatever tends to raise the price of manufactured produce, tends to lower that of the rude produce of the land, and thereby to discourage agriculture. P. 40.

Those systems, therefore, which, in order to promote agriculture, impose restraints on manufactures and foreign trade, indirectly discourage that very species of

industry which they mean to promote. It is thus that every system which endeavours, by extraordinary encouragements or restraints, to change the direction of the capital of a society, is, in reality, subversive of the great purpose which it means to promote. P. 41.

All systems of preference or restraint being taken away, the obvious and simple system of natural liberty establishes itself of its own accord. Every man is left at liberty to pursue his own interest in his own way. The sovereign is completely discharged from a duty, to which he cannot be equal, the duty of superintending the industry of private people. According to this system of natural liberty, the sovereign has only three duties to attend to. (1.) The duty of protecting the society from the violence of other independent societies: (2.) The duty of protecting every member of the society from the oppression of every other member of it: and, (3.) The duty of erecting and maintaining certain public works and institutions, which it cannot be the interest of individuals to erect and maintain. These duties suppose a certain expence: and this expence requires a certain revenue to support it. In the following book will be explained: (1.) What are the necessary expences of the sovereign, or commonwealth: (2.) What are the different methods in which the whole society may be made to contribute towards those expences: and, (3.) What are the reasons and causes which have induced governments to contract debts. P. 42—3.

BOOK V.

Of the Revenue of the Sovereign, or Commonwealth.

CHAP. I.

Of the Expences of the Sovereign, or Commonwealth.

PART I.

Of the Expence of Defence.

THE first duty of the sovereign, that of protecting the society from the violence of independent societies, can be performed only by military force, the expence of which is different in the different states of society. Among nations of hunters, every man is a warrior as well as a hunter. His society is at no expence to prepare him for the field, or to maintain him while he is in it. P. 44.

Among nations of shepherds, the way of life is nearly the same, whether they march as an army, or move about as a company of herdsmen. In war they are maintained by their own herds and flocks as in the time of peace. The sovereign is at no expence. An army of hunters can seldom exceed two or three hundred men. An army of shepherds may amount to two or three hundred thousand. The former can never be formidable to a civilized nation. The latter may. Europe and Asia could not resist the Scythians united. P. 45—7.

In a more advanced state of society, among those nations of husbandmen who have little foreign commerce, and no other manufactures than those coarse ones which every family prepares for its own use, every man becomes a warrior. Those who live by agriculture are prepared, by their usual occupations, for the labours of war,

war, to some of which they bear a strict analogy. Their pastimes are, in the same manner, the images of war. It seldom costs the sovereign any expence to prepare them for the field.

Agriculture supposes a settlement. The whole people cannot take the field together. All men of military age may take the field, which amount to about the fourth part of the whole body of the people. If the campaign should begin after seed time, and end before the harvest, both the husbandman and his labourers can be spared from the farm without loss. He is, therefore, willing to serve without pay : and it frequently costs the sovereign as little to prepare him for the campaign. P. 48—9.

In a more advanced state of society *two* causes contribute to render it altogether impossible that they who take the field, should maintain themselves at their own expence. (1.) The progress of manufactures. (2.) The improvement in the art of war. When an artificer takes the field, he must be maintained by the public. When war becomes a science, and each contest lasts for several years, those who serve the public in war, must be maintained by the public. The number of those who can go to war is necessarily smaller in a civilized, than in a rude state of society. Not more than a hundredth part of the inhabitants of any country can be employed as soldiers, without ruin to the country. P. 50—1.

The expence of preparing an army for the field was not considerable, till after that the maintaining it in the field, devolved entirely on the sovereign, or commonwealth. In Greece, military exercises were a necessary part of education imposed by the state on every free citizen. In Rome the exercises of the *campus martius* answered the same purpose. There were institutions of the same nature under the feudal governments. In those times the trade of the soldier was not a separate and distinct trade.

The

The art of war in the progress of improvement becomes one of the most complicated arts; and, like other mechanical arts, requires that it should become the principal occupation of a particular class of citizens; and the division of labour is as necessary for the improvement of this as of every other art. Into other arts, the division of labour is introduced by the prudence of individuals. But it is the wisdom of the state only which can render the trade of a soldier distinct from all others. P. 52—4.

A shepherd has a great deal of leisure; a husbandman, in the rude state of society, has some; an artificer has none at all. The first may, without loss, employ a great deal of his time in martial exercises; the second may employ some part of it; but the last cannot employ a single hour in them without loss, and his own interest leads him to neglect them. Improvements in husbandry leave the husbandman as little leisure as the artificer. Hence military exercises come to be neglected altogether. In these circumstances, there are but two methods by which the state can provide for the public defence. (1.) By obliging citizens to join, to their common profession, that of a soldier: or, (2.) By maintaining a certain number of citizens in the constant practice of military exercises. In the first case the military force is said to consist in a *militia*: in the second, it is said to consist in a *standing army*. In a militia the character of the labourer, artificer, &c. predominates over that of the soldier: in a standing army, that of the soldier predominates over every other character; in this distinction consists the essential difference between those two different species of military force. P. 54—6.

Before the invention of fire arms, that army was superior, in which the soldiers had the greatest skill in the use of their arms. This skill could only be acquired as fencing is at present; each man practising under a master, or with his companions. Since the invention of
fire

the arms, strength and agility of body, or even extraordinary dexterity in the use of arms are of less consequence. *Regularity, order, and prompt obedience* to command are qualities which, in modern armies, are of the greatest importance. The noise of fire arms, the smoke, and the invisible death to which every man is exposed, render it difficult to maintain any considerable degree of regularity &c. Habits of regularity, order, and prompt obedience to command, can be acquired only by troops which are exercised in large bodies. P. 57—8.

A Militia must be inferior to a well disciplined standing army. The soldiers who are exercised only once a week, or once a month, can never be so expert in the use of arms as those exercised every day. Those who are bound to obey their officer only once a week, can never have the same disposition to ready obedience, with those whose life and conduct are directed by him. A militia which has served for several campaigns becomes in every respect a standing army. P. 59—60.

One of the first standing armies of which we have any distinct account, is that of Philip of Macedon. When he was at peace he was careful not to disband his army. It vanquished the militias of Greece and Persia. The fall of the Greek republics, and of the Persian empire, was the effect of the superiority which a standing army has over militias. It is the *first* great revolution in the affairs of mankind of which we have any account. The fall of Carthage, and the elevation of Rome is the *second*. All the varieties in the fortune of those two famous Republics may be accounted for from the same cause. P. 61—4.

Many different causes contributed to relax the discipline of the Roman armies. Its extreme severity was perhaps one of those causes. In the days of their grandeur, when no enemy could oppose them, their heavy armour was laid aside, and their exercises neglected. The civil came to predominate over the military character :

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and the standing armies of Rome degenerated into an undisciplined militia, incapable of resisting the attacks of the German and Scythian militias which invaded the western empire. The fall of the western empire is the *third* great revolution in the affairs of mankind of which antient history has preserved any distinct account. It was brought about by the superiority which the militia of a nation of shepherds has over that of a nation of husbandmen, artificers, and manufacturers. The military force of the German and Scythian nations, who established themselves upon the ruins of the western empire, continued for some time to be of the same kind in their new settlements, as it had been in their original country. As arts and industry advanced, the discipline of the militia went to ruin, and standing armies were introduced to supply the place of it. When the expedient of a standing army had been once adopted by one civilized nation, it became necessary that all its neighbours should follow the example. P. 65—6.

The soldiers of a standing army, though they may never have seen an enemy, yet have frequently appeared to possess all the courage of veteran troops. In a long peace, the generals may forget their skill; but, where a well regulated standing army has been kept up, the soldiers seem never to forget their valour. When a civilized nation depends for its defence upon a militia, it is at all times exposed to be conquered by any barbarous nation which happens to be in its neighbourhood. As it is only by means of a well regulated standing army that a civilized country can be defended; so it is only by means of it that a barbarous country can be civilized. The improvements of Peter the Great resolve themselves into the establishment of a well regulated standing army. P. 67—8.

A standing army may be dangerous to liberty, wherever the interest of the general, and that of the principal officers are not connected with the support of

the constitution of the state. But where the military force is placed under the command of those who have the greatest interest in the support of the civil government, a standing army can never be dangerous to liberty. In some cases it may be favourable to liberty. P. 69.

The first duty of the Sovereign, therefore, grows more expensive as the society advances in civilization. The great change introduced into the art of war, by the invention of fire arms, has enhanced the expence. In modern war, the great expence of fire arms gives an evident advantage to the nation which can best afford the expence. The invention of fire arms is favourable both to the permanency and to the extension of civilization. P. 70—1.

PART II.

Of the Expence of Justice.

THE second duty of the Sovereign, that of protecting as far as possible, every member of the society from the injustice of every other member of it, requires two very different degrees of expence in the different periods of society. Among nations of hunters, as there is scarce any property, so there is seldom any regular administration of justice. Men who have no property can injure one another only in their persons or reputations, But they have no great temptation to this, since the gratification is not attended with any permanent advantage. But avarice and ambition in the rich; in the poor, the love of present enjoyment, are passions which prompt to invade property, and are more universal in their influence. Where there is great property, there is great inequality. It is only under the shelter of the civil magistrat

gistrate that the rich can sleep in safety. The acquisition of property requires the establishment of civil government. P. 72—3.

Civil government supposes a certain *subordination* which grows up with the growth of property. The causes which introduce subordination seem to be four. (1.) The superiority of *personal qualifications*; but these must be supported by those of the mind. (2.) Superiority of *age*; which is a palpable quality and admits of no dispute. (3.) Superiority of *fortune*. This is greatest in the rudest ages of society which admit of any considerable inequality of fortune. The first period of society, that of hunters, admits of none. That of shepherds admits of very great inequalities of fortune, and there is no period in which the superiority of *fortune* gives so great authority to those who possess it. (4.) The superiority of *birth*. This supposes an antient superiority of fortune in the family of the person who claims it. All families are equally antient. Antiquity of family means antiquity of wealth, or of that greatness which is accompanied with wealth. This distinction of birth can have no place in nations of hunters; but it always does take place among nations of shepherds. P. 74—8.

Birth and *fortune* are the two circumstances which principally set one man above another, and are therefore the principal causes which establish subordination among men. Among nations of shepherds both these causes operate with their full force. The rich shepherd can command the united force of a great number of people. His military power is great. The weak look to him for protection; hence his judicial authority. It is in the age of shepherds, in the second period of society, that the inequality of fortune first begins to take place, and introduces a degree of subordination, and authority which could not exist before. It thereby introduces some degree of *civil government*, which is in reality instituted for the defence of the rich against the poor. The

judicial authority of such a sovereign, was, for a long time, a source of revenue to him. Those who applied for justice were willing to pay for it. The guilty person was also forced to pay an amercement to the sovereign. Originally both the sovereign, and the inferior chiefs exercised jurisdiction in their own persons. It was afterwards delegated to a judge, who was obliged to account to his principal for the *profits* of the jurisdiction. The judges in the time of Henry II. were a sort of itinerant factors sent round the country for the purpose of levying certain branches of the King's revenue, P. 79—81.

This scheme of making the administration of justice subservient to the purposes of revenue, was productive of great abuses, for which it was scarcely possible to obtain redress. In all barbarous governments, the administration of justice appears to have been extremely corrupt. P. 82—3.

Among nations of shepherds, the sovereign, being the chief shepherd, is maintained by the increase of his flocks.—Among nations of husbandmen, just come out of the shepherd state, the sovereign is the greatest landlord, and is maintained by the revenue derived from his estate, called the demesne of the crown. His subjects contribute nothing to his support, except *presents*, when they need his authority to protect them from the oppressions of their fellow subjects. The corruption of justice, naturally resulting from the arbitrary and uncertain nature of those presents, scarcely admitted of any remedy. When taxes were introduced to defray the expences of the sovereign, and fixed salaries were appointed to the judges, these presents were abolished, and justice was said to be administered gratis. Justice, however, never was, in reality, administered gratis in any country. Lawyers must be paid. It was not to diminish the expence, but to prevent corruption of justice, that the judges were

were prohibited from receiving any present from the parties. P. 83—5.

The office of judge is so honourable that men are willing to accept of it with very small emoluments. The office of justice of peace, though attended with no emolument, is an object of ambition among the country gentlemen. The whole expence of the administration of justice makes but a small part of the whole expence of government. The *whole* expence of justice *might* be defrayed by the fees of court, without exposing the administration of justice to the hazard of corruption, if those fees were precisely ascertained, and paid into the hands of a receiver, to be by him distributed in known proportions among the judges *after* the process is decided, and according to the attention paid in examining the process. The *fees of court* were originally the principal support of the different courts of justice in England. Each court endeavoured to draw to itself as much business as it could. The court of *King's-bench*, instituted for the trial of criminal causes only, took cognisance of civil suits; the plaintiff pretending that the defendant in not doing him justice had been guilty of some trespass. The court of exchequer instituted for the levying of the King's revenue, took cognisance of all contracted debts; the plaintiff alledging that he could not pay the King, because the defendant would not pay him. Hence it depended upon the parties before what court they would have their cause tried, and each court endeavoured by superior dispatch and impartiality, to draw to itself as many causes as it could. The present admirable constitution of the courts of justice in England was, perhaps originally, in a great measure, formed by this emulation which took place between their respective judges. P. 86—9.

A stamp duty upon the law proceedings of each particular court, to be levied by that court, and applied to the maintenance of the judges and other officers,
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might afford a revenue sufficient for defraying the expence of the administration of justice. The judges indeed might, in this case, be under the temptation of multiplying unnecessarily the proceedings upon every cause.

The separation of the judicial, from the executive power, arose from the increasing business of the society, in consequence of its increasing improvement. When the judicial is united to the executive power, *justice* is frequently sacrificed to *politics*. Upon the impartial administration of justice depends the liberty of every individual, the sense which he has of his own security. The judicial ought to be rendered independent of the executive power. P. 90—2.



PART III.

Of the expence of public works and public institutions.

THE performance of the third duty of the sovereign, of erecting public works, and public institutions, requires different degrees of expence, in different periods of society. These institutions are chiefly for facilitating commerce, and for promoting the instruction of the people.

ARTICLE I. *Of the public works and institutions for facilitating the commerce of Society.*

And *first* of those which are necessary for facilitating commerce in *general*, such as good roads, bridges, canals, harbours, &c. These must require different degrees of expence in different periods of society. It does
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not seem necessary that the expence of those public works should be defrayed from the public revenue; they may be managed by means of tolls, without bringing any burden on the revenue of the society. The coinage, an institution for facilitating commerce, in most countries, not only defrays its own expence, but affords a small revenue to the sovereign. The post-office, a considerable one. P. 92—4.

When carriages, and lighters pay toll in proportion to their weight or their tonnage, they pay for those public works exactly in proportion to the wear and tear which they occasion of them. The toll is finally paid by the consumer; who, nevertheless is a gainer, since the expence of carriage is much reduced by means of such works. No tax can be more equitable. When the toll upon carriages of luxury is somewhat higher in proportion to their weight, than upon carriages of necessary use, the vanity of the rich is made to contribute in an easy manner to the relief of the poor. When high roads, bridges, canals, &c. are made and supported by commerce, they can be made only where that commerce requires them. P. 95—6.

In different parts of Europe the toll upon a canal is the property of private persons, whose interest obliges them to keep up the canal. The tolls for the maintenance of a high road cannot, with safety, be made the property of private persons. A high road, though entirely neglected, does not become impassable, though a canal does. P. 97.

In Great Britain the abuses which the trustees have committed in the management of those tolls, have, in many cases, been justly complained of; these are capable of remedy. The money levied at the turnpikes is supposed to exceed so much what is necessary for repairing the roads, that the savings have been considered, as a very great resource which might at some time or other
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be applied to the exigencies of the state.* This plan is liable to several objections. (1.) If the tolls be considered as one of the resources for supplying the exigencies of the state, they would be augmented as those exigencies were supposed to require. (2.) A tax upon carriages in proportion to their weight, though a very equal tax when applied to the sole purpose of repairing the roads, is a very unequal one when applied to any other purpose, as the price of goods would be raised according to their *weight*, and not according to their *value*. (3.) If government were to neglect the repair of the roads, it would be difficult to compel the proper application of any part of the turnpike tolls. Such was the case in France. In China, the executive power charges itself with the reparation of the high roads and canals. These objects are recommended to the governor of each province, and the judgment formed of his conduct is much regulated by the attention he has paid to them. This branch of public police is, consequently, much attended to in China, where the high roads, and canals, are said to exceed every thing of the same kind which is known in Europe. It is indeed the interest of the sovereign, whose revenue chiefly depends on a land-tax, or land-rent. But the revenue of the sovereign does not, in any part of Europe, arise chiefly from a land-tax, or land-rent. Therefore though it should be true, that in some parts of Asia, this department of the public police is properly managed by the executive power, there is not the least probability, that, during the present state of things

* Mr. WILLIAM PITT has actually proposed, this session of Parliament (1797) to DOUBLE the turnpike tolls throughout the country, seizing upon one half of them for the exigencies of the state. He has followed Adam Smith in estimating the neat produce to be nearly half a million. Ed.

things, it could be tolerably managed by that power in any part of Europe. P. 92—105.

Those public works, such as lighting and paving the streets of London, which cannot afford any revenue for maintaining themselves, but of which the conveniency is nearly confined to some particular district, are better maintained by a local revenue, under the management of a local administration, than by the general revenue of the state, of which the executive power must always have the management. The abuses which creep into the local and provincial administration of a local revenue are trifling, in comparison of those which commonly take place in the expenditure of the revenue of a great empire. P. 105—6.

Of the public works and institutions which are necessary for facilitating *particular* branches of commerce; those branches of commerce, which are carried on with barbarous nations require extraordinary protection. An ordinary store-house could give little security to the goods of the merchants who trade to the western coast of Africa. To defend them from the natives, it is necessary that the place where they are deposited should be fortified. The disorders in the government of Indostan have been supposed to render the like precaution necessary there. Hence the forts erected by the French and English East-India companies.

In other nations, where strangers cannot possess any fortified place within their territory, it may be necessary to maintain some ambassador, or consul, who may decide the differences arising among his own countrymen; and in their disputes with the natives, may interfere with more authority than they could expect from any private man. It seems not unreasonable, that the extraordinary expence, which the protection of any particular branch of commerce may occasion, should be defrayed by a moderate tax upon that branch. The protection of trade in general from pirates, is said to have given

occasion to the institution of the duties of customs. The protection of trade in general has ever been considered as essential to the defence of the common-wealth, and upon that account, a part of the duty of the executive power. The collection and application of the general duties of customs, therefore have been left to that power. In many commercial states of Europe, particular companies of merchants have persuaded the legislature to entrust to them the performance of this duty as it respected some particular branches of trade. P. 107—9.

These companies have proved universally either burdensome or useless. When these companies do *not* trade upon a joint stock, but are obliged to admit any person properly qualified, they are called *regulated companies*. When they trade upon a joint stock they are called *joint stock companies*. Such companies sometimes have, and sometimes have not exclusive privileges. *Regulated* companies resemble the corporation of trades, and are enlarged monopolies of the same kind. They are the *Hamburgh company*; the *Russia company*; the *East-land company*; the *Turkey company*, and the *African company*. P. 110—11.

The terms of admission in the *Hamburgh company* are *now* said to be quite easy. The fine for admission into the *Russian company* was reduced to 5l. and that for admission into the *East-land company* to 40s. while, at the same time, all the countries on the north side of the *Baltic* were exempted from this exclusive charter. Though such companies may not be very oppressive, they are certainly useless, which, perhaps is the highest eulogy which can ever be justly bestowed on a well regulated company. The terms of admission into the *Turkey company* are less easy, and the trade, though, in some measure, laid open by parliament, is still considered as far from free. This company contributes to maintain an ambassador, and two or three consuls, who ought to be maintained

tained by the state, and the trade laid open to all his majesty's subjects. P. 112—15.

Regulated companies, it was observed by Sir Josiah Child, have never maintained any forts or garrisons in the countries to which they traded; but *joint-stock* companies have. The former are in reality much more unfit for this service than the latter. (1.) The directors of a regulated company, have no particular interest in the prosperity of the general trade of the company, for the sake of which such forts and garrisons are kept up. The decay of the general trade may contribute to the advantage of their own private trade. But the directors of a joint stock trade have no private trade of their own. (2.) The directors of a joint stock company have always the management of a large capital, a part of which may be employed in building, repairing, and maintaining forts and garrisons. But the directors of a regulated company have no fund to employ this way. P. 116—17.

Long after the time of Sir Josiah Child, the African Company was established, which was charged, at first, with the maintenance of all the British forts and garrisons, that lie between Cape Blanc and the Cape of Good Hope, and afterwards with that of those only which lie between Cape Rouge and the Cape of Good Hope. The act which establishes this Company, had two distinct objects in view: (1.) To restrain the monopolizing spirit which is natural to the directors of these companies: and (2.) To force them to give an attention, which is not natural to them, towards maintaining forts and garrisons. P. 118—21.

Joint stock companies differ, in several respects, not only from regulated companies, but from private co-partneries.

I. In a private co-partnery, no partner, without the consent of the company, can transfer his share to another person, or introduce a new member into the company. Each member, however, may, upon proper

warning, withdraw from the co-partnery, and demand payment from them of his share of the common stock. In a joint stock company, on the contrary, no member can demand payment of his share from the company ; but each member can, without their consent, transfer his share to another person.

II. In a private co-partnery, each partner is bound for the debts contracted by the company to the whole extent of his fortune. In a joint stock company, on the contrary, each partner is bound only to the extent of his share. P. 122.

The trade of a joint stock company is always managed by a court of directors. The proprietors give themselves no trouble about it, but contentedly receive their dividend. This exemption from trouble, and from risk beyond a limited sum, encourages many people to become adventurers in the joint stock companies, who would not hazard their fortunes in any private co-partnery. Such companies, therefore, draw to themselves very great stocks: that of the South Sea Company at one time amounted to upwards of 33,000,000*l*. The divided capital of the Bank amounts to 10,780,000*l*. Joint stock companies for foreign trade have seldom been able to maintain the competition against private adventurers. They have seldom succeeded without an exclusive privilege, and frequently have not succeeded with one. P. 123—4.

The Royal African company had an exclusive charter, which not being confirmed by act of parliament, the trade was laid open. Such also was the situation of the Hudson's-Bay company. The South Sea company, as long as they continued a trading company, had an exclusive privilege, as the East India company has at present. The Royal African company, with all its advantages, could not maintain the competition against private adventurers. No private adventurers ever attempted

tempted to trade in competition with the Hudson's-Bay company. P. 124—7.

The stock jobbing projects of the South Sea company are well known; their mercantile projects were not conducted much better. The first trade in which they engaged, was that of supplying the Spanish West Indies with negroes, in this trade they were losers. They undertook, in 1724, the whale fishery, after eight voyages they found their whole loss amounted to upwards of 237,000*l*. In 1748, this company ceased to be a trading company. P. 128—31.

The old East India company was established in 1660; for the first twelve years they traded as a regulated company. In 1612, they united into a joint stock. Their charter was exclusive, but not confirmed by act of parliament. In process of time, therefore, interlopers multiplied on them, which reduced them to great distress. In 1698, two millions were offered to government at 8 per cent. interest, provided the subscribers were erected into a new East India company, with exclusive privileges. The old East India company offered 700,000*l*. at 4 per cent. interest, on the same conditions. The former proposals were accepted, and the new East India company was erected. The old East India company had, however, the right to continue their trade till 1701. The competition of the two companies had nearly ruined both. In 1708, the two companies were consolidated into one. The capital of the company was augmented in 1711, to 3,200,000*l*. and in 1743, they lent to government another million. From 1711, this company being delivered from all competitors, carried on a successful trade, and made moderate annual dividends to the proprietors.

During the French war of 1741, the spirit of war and conquest seems to have taken possession of their servants in India, and never since has left them. In the French war

war which began in 1755, they acquired the revenues of a rich and extensive territory, said to amount to three millions a year. In 1767, administration laid claim to their territorial acquisitions, and the revenue arising therefrom. The company, in compensation for these claims, agreed to pay government 400,000l. a year. Before this they had augmented their dividend from 6 to 10 per cent. and were attempting to raise it to 12 per cent. but were prevented by parliament, in order that they might be able, more speedily, to pay their debts. They were allowed, in 1769, gradually to increase their dividend to 12½ per cent.

In 1768, it was proved, that the nett revenue of their territorial acquisitions was 2,048,748l. besides another revenue of 439,000l. arising from lands and established customs. And the profits of their trade amounted, at least, to 400,000l. Notwithstanding, in 1773, this company was reduced to the greatest distress, and was obliged to reduce their dividend to 6 per cent. to get a release from the payment of the annual stipulated 400,000l. and to borrow of government 1,400,000l. It appears that the great increase of their fortune, served to furnish their servants with a pretext of greater profusions, and a cover for a greater malversation than in proportion even to the increase of their fortune. India affairs became now the subjects of parliamentary inquiry; in consequence of which, several important alterations were made in the constitution of their government, both at home and abroad. In consequence of these alterations, the courts of proprietors, and directors, were expected to act with more dignity than they had done before. But these courts are utterly unfit to govern a great empire, because they have too little interest in its prosperity. A man purchases a thousand pound share of India stock to become a proprietor, for the sake of the influence which his vote may give him. It gives him a share, though not in the plunder, yet in the appointment

pointment of the plunderers of India. Provided he can enjoy this influence for a few years, he frequently cares little about the dividend; and about the prosperity of the great empire, in the government of which that vote gives him a share, he cares not at all. The regulations of 1773, accordingly did not put an end to the disorders of the company's government in India. And in 1784, they were once more reduced to the necessity of supplicating the assistance of government, to prevent an immediate bankruptcy. Different plans were proposed by different parties in parliament for the better management of their affairs. All these plans agreed in supposing the company unfit to govern its territorial possessions.

With the right of possessing forts and garrisons in distant and barbarous countries, is connected the right of making peace and war in those countries; how unjustly and cruelly joint stock companies have commonly exercised this right, is too well known by experience.

P. 132—42.

When a company of merchants, at their own risk, undertake to establish a new trade with some remote and barbarous nation, it may not be unreasonable to grant them a monopoly of the trade for a certain number of years. But on the expiration of that term, the monopoly ought to determine, and the trade to be laid open to all the subjects of the state. By a perpetual monopoly, all the other subjects are taxed two ways; (1.) By the high price of goods; (2.) By their total exclusion from a branch of business which might be profitable for them to carry on. Without a monopoly, however, a joint stock company cannot long carry on any branch of foreign trade. Fifty-five such companies have failed since the year 1600, owing to mismanagement. P. 143—5.

The only trades which joint stock companies can carry on successfully, without exclusive privileges, are those of which all the operations are capable of being reduced

duced to such an uniformity of method as admits of little variation. Of this kind is, (1.) The banking trade. (2.) The trade of insurance from fire, from sea risk and capture in time of war. (3.) The trade of making and maintaining navigable canals. And, (4.) The similar trade of bringing water for the supply of a great city.

To render the establishment of a joint company perfectly reasonable, with the circumstance of being reducible to strict method, two other circumstances ought to concur. (1.) It ought to appear that the undertaking is of more general utility than the greater part of common trades. (2.) That it requires a greater capital than can be collected into a private co-partnery. In the four trades above-mentioned, both these circumstances concur. But except these, perhaps, there are no other in which all the circumstances concur, to render the establishment of joint stock companies reasonable. P. 146—9.

ARTICLE II. *Of the Expence of Institutions for the Education of Youth.*

THE institutions for the education of youth, may, in the same manner, furnish revenue sufficient for defraying their own expences. The fee which the scholar pays to the master, naturally constitutes a revenue of this kind. Through the greater part of Europe, the endowment of schools and colleges make a considerable part of their revenue. Have those public endowments contributed, in general, to promote the end of their institution? Have they contributed to encourage the diligence and improve the abilities of the teachers? Have they directed the course of education towards objects more useful than those to which it would naturally have gone of its own accord?

In every profession *necessity* is the great motive to exertion; which is the greatest with those whose subsistence depends upon the emoluments of their profession.

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Great objects, which are to be acquired by success, may animate the exertions of men of ambition; but they are not necessary, and if they are unsupported by the necessity of application, seldom occasion considerable exertion. Rivalship renders excellency, even in mean professions, an object of ambition. The endowments of colleges have diminished the necessity of application in teachers. In some universities, however, the salary makes but a small part of the emolument of the teacher; the rest depends on the fees of his pupils. In this case, the necessity of application is not entirely taken away. In others, the teacher is prohibited from receiving any fee from his pupils, and his salary constitutes the whole of his revenue. His interest is thus set in opposition to his duty. P. 150—4.

Whatever forces a certain number of students to any college, independent of the merit of the teacher, tends to diminish the necessity of that merit. The privileges of graduates which are obtained by mere residence;—and charitable foundations for scholarships, have this tendency.

The discipline of colleges is, in general, contrived not for the benefit of the students, but for the ease of the master. Its object is to maintain the authority of the master. It presumes perfect virtue and wisdom in the master, and the greatest weakness and folly in the scholar. Where masters, however, really perform their duty, there is, perhaps, no instance in which the greater part of the students neglect theirs. Discipline is not necessary to force attendance on lectures which are worth attending. Those parts of education, for the teaching of which there are no public institutions, are generally best taught. Of these are the three most essential parts of a literary education, reading, writing, and arithmetic. In England the public schools are less corrupted than the universities. The reward of the schoolmaster

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depends on the fees of his scholars. Schools, besides, have no exclusive privileges. P. 155—9.

It may be said, that imperfect as the education of the universities is, yet it has been beneficial to individuals, and the public. The present universities were originally ecclesiastical corporations, instituted for the education of churchmen, founded and protected by the Pope, the members of which were amenable only to ecclesiastical tribunals. What was taught in them was theology, or preparatory to theology. When christianity was established by law, a corrupted latin became the common language of the western parts of Europe. The service of the church was performed in latin, long after the body of the people was ignorant of that language. Hence two languages were established, the language of the priests, and that of the people; the sacred, and the profane. The study of the latin language became an essential part of university education. The greek and hebrew languages did not, for a long time, make any part of the common course of university education. The first reformers found the greek text of the new, and the hebrew of the old testament, more favourable to their opinions than the vulgate translation. Hence the introduction of those two languages into the universities. P. 160—2.

The antient greek philosophy was divided into *physics*, or natural philosophy; *ethics*, or moral philosophy; and *logic*.

The first philosophers were natural philosophers, who attempted to explain the great phænomena of nature, which naturally called forth the curiosity of mankind to inquire into their causes. Moral philosophy is the science which pretends to investigate and explain the principles which connect the maxims of human life. Different authors gave different systems both of natural and moral philosophy. The patrons of each endeavoured to expose the weakness of the arguments adduced to support

support the systems which were opposed to their own. Hence the science of logic, which, though in its origin, it was posterior both to physics and ethics, is commonly taught previously to either. P. 163—5.

This antient division of philosophy into three parts was changed for another into five. Metaphysics or pneumatics were set in opposition to physics, and considered as the more useful science of the two, for the purposes of a particular profession. When these two sciences had been set in opposition to one another, the comparison gave birth to a *third*, which was called ontology.

In the antient moral philosophy the duties of human life were treated of as subservient to the happiness and perfection of human life. But when moral as well as natural philosophy came to be taught only as subservient to theology, the duties of human life were treated of as subservient to the happiness of a life to come. In the antient philosophy the perfection of virtue was represented as productive of the most perfect happiness of this life. In the modern philosophy it was represented as inconsistent with any degree of happiness in this life.

The common course of education was therefore, (1.) Logic: (2.) Ontology: (3.) Pneumatology, comprehending the doctrine of the human soul, and the Deity: (4.) A debased system of moral philosophy: and, (5.) A superficial course of physics. These alterations were meant for the education of ecclesiastics. This course of philosophy continues to be taught in the greater part of the universities of Europe. It is *not* in universities that improvements are first made, or hastily adopted. P. 166—9.

In process of time the universities, originally intended for the education of churchmen only, drew to themselves the education of almost all men of fortune, though what was taught in them does not seem the best preparation for the business of the world. In England, it becomes the custom to send young people to travel in

foreign countries immediately upon leaving school. This absurd practice is, probably, owing to the discredit which the universities have fallen into. P. 170—1.

Different plans of education seem to have been adopted in other ages and nations. In *Greece* every free citizen was instructed, under the direction of the public magistrate, in gymnastic exercises and in music. The one was intended to prepare the body for war; the other to humanize the mind, and to dispose it for the social and moral duties of life. In antient *Rome*, the exercises of the *campus martius* answered the same purpose as those of the *gymnasium* in *Greece*. But there was nothing which answered to the musical education of the Greeks: yet the morals of the Romans were superior to those of the Greeks. The masters who instructed the young people either in music, or in military exercises, do not seem to have been paid, or even appointed by the state; it only found a public place for them to exercise in. In the early ages of the Greek and Roman republics, the other parts of education seem to have consisted in learning to read, write, and account, according to the arithmetic of the times. These, however, were left to the care of parents. The state never assumed any direction of them. By the law of Solon, indeed, children were acquitted from maintaining those parents, in old age, who had neglected to instruct them in some profitable trade. P. 172—4.

In the progress of refinement, the better sort of people sent their children to the schools of philosophers, to be taught rhetoric and philosophy. But these schools were not supported by the public. The demand for this sort of knowledge was, for a long time, so small, that the teachers travelled about from place to place, in order to find constant employment. Afterwards, when schools were established, the state did no more than assign them particular places to teach in. To Plato the state assigned the academy; the *Lycaum* to Aristotle; and the portico to Zeno. P. 175—6.

At Rome, the study of the civil law made part of the education of some particular families, but there was no public school to go to. It is worth notice, that in Greece, where law never seems to have been a science, the constitution of the courts of justice were very inferior to that of Rome, where law was very early considered as a science. P. 176—7.

The abilities of the Greeks and Romans will be readily allowed to have been equal to those of any modern nation. Yet the state was at no pains to form those abilities. Masters were found for instructing the people in every necessary art and science. The demand for instruction always produces the talent for giving it; and emulation appears to have brought that talent to perfection. The antient philosophers seem to have been superior to modern teachers. In modern times the diligence of public teachers is corrupted by the circumstances which render them independent of their success and reputation in their profession. Their salaries too put it out of the power of private teachers to come in competition with them. Thus the endowments of colleges, have not only corrupted the diligence of public teachers, but have rendered it almost impossible to have any private ones. P. 178—9.

Were there no public institutions for education, no science would be taught for which there was not some demand. A private teacher could not find his account in teaching either an exploded or antiquated system of science. Such systems can subsist no where but in those incorporated societies for education, whose prosperity and revenue are in a great measure independent of their reputation and industry. There are no public institutions for the education of women, and they are taught nothing but what their parents judge it necessary or useful for them to learn. In every part of life a woman feels some advantage from every part of her education. It seldom happens that a man, in any part of his life,
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derives any advantage from some of the most laborious parts of his education. P. 180.

Ought the public, therefore, to give no attention to the education of the people? In some cases it is not necessary, in others it may be. In the progress of the division of labour, the employment of the great body of the people comes to be confined to a very few simple operations. The mind is formed by its employment. The man whose life is spent in performing a few simple operations, has no occasion to exert his understanding, or to exercise his invention. His dexterity at his own trade seems to be acquired at the expence of his intellectual, social, and martial virtues. This is the state of the poor in every improved society, unless government take pains to prevent it. It is otherwise in barbarous societies, as they are called, of hunters, &c. In these, invention is kept alive: every man is a warrior, and, in some measure, a statesman too. In such a society, indeed, no man can acquire that improved understanding, which a few men sometimes possess in a more civilized state. Though in a *rude* society, there is a good deal of variety in the occupations of *individuals*, there is *not* a great deal in those of the *whole society*. In a *civilized* state, though there is little variety in the occupation of *individuals*, there is an almost infinite variety in those of the *whole society*. P. 181—4.

The education of common people requires, in a civilized and commercial society, the attention of the public more than that of people of some rank and fortune, who have time and opportunity of acquiring every necessary accomplishment; whose employments are such as exercise the head more than the hands; and who have *leisure* to improve their minds. The common people ought to be taught to read, write, and account; to which might be added, the elementary parts of geometry and mechanics. There is scarce a common trade which does not afford some opportunities of applying the principles of

of geometry and mechanics. The public should facilitate this sort of instruction, by giving small premiums to the children who excel in it, and by some kind of public examinations. In this manner military and gymnastic exercises were acquired by the Greeks and Romans. P. 185—8.

A martial spirit ought also to be infused into the great body of the people, upon which the security of the society depends. Where every citizen had the spirit of a soldier, a smaller standing army would be requisite: that spirit would, besides, diminish the dangers apprehended from a standing army. The antient institutions of Greece and Rome appear to have been more effectual for maintaining the martial spirit of the people, than the establishment of modern militias. They were more simple. Their influence was more universal. A man incapable of defending, or of revenging himself, wants one of the most essential parts of the character of a man. Even though the martial spirit of the people were of no use towards the defence of the society, yet to prevent that sort of mental deformity from spreading among the people, it would deserve the attention of government. The same thing may be said of gross ignorance, which, in a civilized society, seems to benumb the understandings of the inferior ranks of the people. P. 189—92.

ARTICLE III. *Of the Expence of Institutions for the Instruction of People of all Ages.*

THESE institutions are chiefly those for religious instruction. The teachers of the doctrine which contains this instruction, may either depend wholly for subsistence upon the voluntary contributions of their hearers; or they may derive it from some other fund to which the law may entitle them; such as landed estates, tythe, or an established salary. Their exertions
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are likely to be greater in the former situation than in the latter. In this respect, the teachers of new religions have had the advantage in attacking the antient and established systems of which the clergy, reposing themselves upon their benefices, were become incapable of any vigorous exertion, in defence even of their own establishment. Upon such an emergency, the clergy have no other resource than to call upon the civil magistrate to persecute their adversaries. Thus the roman catholic clergy, called upon the civil magistrate to persecute the protestants; and the church of England, to persecute the dissenters; and, in general, every sect when it has enjoyed for a century or two the security of legal establishment, has found itself incapable of vigorous defence against any new sect which chose to attack its doctrine or discipline. P. 192—4.

In the church of Rome, the industry of the *inferior* clergy, is kept more alive by self-interest, than perhaps any established protestant church. The great dignitaries of the church are careful to maintain the necessary discipline over their inferiors, but seldom give themselves any trouble about the instruction of the people. P. 195.—7.

The *independent* provision bestowed on the clergy, has seldom been given, but with a view of gaining them to serve some political party. If politics had never been called to the aid of religion; nor the tenets of one sect, been adopted in preference to another; there would probably have been a great multitude of religious sects, but the influence of each must have been small. The active zeal of religious teachers, can be dangerous only where there is but one sect tolerated, or where the whole of a large society is divided into two or three great sects. That zeal must be innocent where the society is divided into two or three hundred, or as many thousand small sects. The teachers of each sect would be obliged to learn moderation, and to respect those of every other sect;

sect; and the concessions which they would mutually find it convenient to make to one another, might, in time, reduce the greater part of them to that pure rational religion free from absurdity, imposture, and fanaticism, such as wise men would wish to see established; but such as never has, nor will be, established by positive law. This was the aim of the independents in England, towards the end of the civil war. P. 198—201.

In every civilized society, there have been always *two* different schemes of morality current at the same time; the one strict or austere, the other liberal or loose. The *former* is admired by the common people; the *latter* is adopted by what are called people of fashion. The degree of disapprobation with which we ought to mark the vices of *levity*, seems to constitute the principal distinction between those two opposite systems. The vices of levity are always ruinous to the common people: hence the hatred of the wiser sort of that class of such excesses. They are tolerated by people of rank, because to them they are not necessarily attended with ruin. P. 202—3.

Almost all religious sects have begun among the common people, from whom they draw their earliest, and most numerous proselytes. The austere system of morality has generally been adopted by those sects: and the more austere their system the better has it succeeded.

A man of fortune is, by his station, the distinguished member of a great society, and he is obliged to conform to that system of morals, which the general consent of the society prescribes to persons of his rank. A man of low condition in a great city, is observed by nobody, and is therefore likely to neglect and ruin himself. He never emerges so effectually from this obscurity, as by his becoming the member of a small religious sect. From that moment he acquires a degree of consideration which he never had before. In little religious sects, accordingly, the morals of the common people have

been remarkably regular, sometimes disagreeably rigorous and unsocial. This rigour might be easily corrected, (1.) By rendering the study of science and philosophy almost universal among the people of middling, or more than middling rank and fortune, which the state might do by instituting some sort of probation in the sciences, to be undergone by every person. (2.) By encouraging the frequency and gaiety of public diversions. P. 204—6.

In a country where the law favoured the teachers of no one religion more than those of another, none of them would have any dependency on the executive power. It would have no concern with them, but to keep peace among them. But where there is an established religion, the sovereign cannot be secure unless he has the means of influencing the greater part of the teachers of that religion. The clergy of every established religion constitute a great corporation. Their interest as an incorporated body is never the same with that of the sovereign, and is sometimes directly opposite to it. Articles of faith are not in the proper department of a temporal sovereign, who, though qualified for *protecting*, is not so for *instructing* the people. His authority, therefore, can seldom counterbalance the united authority of the clergy of the established church. But as the public tranquillity, and his own security, often depends upon the doctrines which they propagate; and as he can seldom *oppose* their decision, it is necessary that he should be able to *influence* it. P. 207—9.

In all christian churches the benefices of the clergy are a sort of freeholds. If they held them by a more precarious tenure, they could not maintain their authority with the people. But should the sovereign attempt irregularly, and by violence to deprive any number of clergymen of their freeholds, perhaps, on account of their zeal in propagating some doctrine, he would, by persecution, render them and their doctrine ten times
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more popular, and therefore ten times more dangerous than they had been before. *FEAR is, in almost all cases, a wretched instrument of government*, and ought never to be employed against any order of men, who have any pretensions to independency. The French government usually employed *violence* to oblige their parliaments to enregister any unpopular edict, but it seldom succeeded. The princes of the house of Stuart, employed like means to influence some members of the parliament of England, and they were found intractable. *The parliament of England is now managed in ANOTHER manner.*
P. 210—11.

Formerly, the bishop of each diocese was elected by the joint votes of the clergy, and of the people of the episcopal city. The *people* did not long retain their right of election. All church preferments were, in this manner, in the disposal of the church. Each clergyman was led to pay his court to his own order, rather than to the sovereign. Through the greater part of Europe, the POPE gradually gained the disposal of almost all church preferment. By this arrangement, the condition of the sovereign was worse than before. The clergy was thus formed into a kind of spiritual army, dispersed in different quarters, but directed by one head, and conducted by one plan. Their arms were the most formidable that can well be imagined. Before the establishment of arts and manufactures, the wealth of the clergy gave them the same sort of influence over the common people, which that of the barons gave them over their tenants, and retainers, but often to a much greater degree. In this state of things, if the sovereign found it difficult to resist the confederacy of a *few* of the great nobility, he found it more so to resist the united force of the clergy of his own dominions, supported by that of the clergy of all the neighbouring states. The privileges of the clergy; their total exemption from the secular jurisdiction, for example, what in England was

the benefit of the clergy, were the natural consequences of this state of things. 212—17.

From the ninth to the fourteenth centuries, the constitution of the church of Rome was the most formidable combination, that was ever formed against the authority and security of civil government, as well as against the liberty, reason, and happiness of mankind. Had this constitution been attacked by no other enemies, but the efforts of human reason, it must have lasted for ever. For though reason might have unveiled the delusions of superstition, it could not have dissolved the ties of private interest. The same power which destroyed the power of the great barons, destroyed the temporal power of the clergy. And in the fourteenth century, the sovereigns in the different states of Europe, endeavoured to recover the influence which they once had in the disposal of the great benefices of the church. But the power of the Pope was no where so effectually restrained as in France and England. P. 217—21.

The authority of the church of Rome was declining when the disputes which gave birth to the *reformation*, began in Germany, and which soon spread themselves through every part of Europe. The new doctrines were received every where with popular favour. Reason recommended them to some, novelty to many;—hatred to the established clergy to a still greater number;—but the zeal with which they were inculcated, recommended them to by far the greatest number. The success of the new doctrines was almost every where so great, that the princes who happened to be on bad terms with the court of Rome, were enabled, in their own dominions, easily to overturn the church. Hence the doctrines of the *reformation* were established by the princes in the northern states of Germany:—in Sweden by Gustavus Vasa:—in Denmark by Frederick of Holstein:—and in Berne and Zurich by the magistrates. In this situation the Pope cultivated the friendship

ship of the Sovereigns of France and Spain, of whom the latter was, at that time, Emperor of Germany ; with whose assistance the progress of the reformation was suppressed in their dominions. In England, however, it was begun by Henry VIII. and completed in the reign of his son Edward VI. In Scotland the *reformation* was strong enough to overturn the church, and the state too for attempting to support the church. P. 222—4.

Among the followers of the reformation, there was no general tribunal to settle disputes, the most important of which related to the government of the church, and the right of conferring ecclesiastical benefices. These gave birth to the Lutheran and Calvinistic sects, the only sects among them of which the doctrine and discipline have ever been *established by law* in any part of Europe. The *former* preserved episcopal government, and gave the sovereign, as head of the church, the disposal of bishopricks and consistorial benefices, without depriving the bishop of the right of collating to the smaller benefices : this system was always favourable to peace and good order, and to submission to the civil sovereign. The *latter* bestowed upon the people of each parish the right of electing their own pastor ; and established the most perfect equality among the clergy. The former part of this institution, while it remained in vigour, seems to have been productive of disorder and confusion. The latter part seems never to have had any effects but what were perfectly agreeable. P. 225—30.

In countries where church benefices are, the greater part of them, very moderate, a chair in a university is generally a better establishment than a church benefice. The universities have, in this case, the choosing of their members from all the churchmen of the country. Where church benefices, on the contrary, are, many of them considerable, the church naturally draws from
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the universities the greater part of their eminent men of letters. In the *former* situation, the universities are filled with the most eminent men of letters in the country. In the *latter*, few eminent men are likely to be found among them. In Greece and Rome, the far greater part of eminent men of letters, if we except poets, orators, and a few historians, appear to have been either public or private teachers. P. 231—3.

The revenue of every established church, is a branch of the general revenue of the state, which is diverted to a purpose very different from the defence of the state. The *tythe* is a real land tax, which puts it out of the power of the proprietors of land, to contribute so largely towards the defence of the state as they might otherwise be able to do. The rent of land is the principal fund, from which the exigencies of the state must be ultimately supplied. The more of this fund that is given to the church, the less can be spared to the state. Other things being supposed equal, the richer the church, the less able must the state be to defend itself. In several protestant countries, the tythes and church lands have been found nearly sufficient to afford competent salaries to the established clergy, and also to defray the other expences of the state. The whole expence of the church of Scotland cannot exceed 85,000l. a year, which affords a decent subsistence to 944 ministers, besides paying the expences of building and repairing of churches; yet no church is better conducted, if those of Switzerland are excepted, which, however, are not better endowed. The proper performance of every service requires, that its recompence should be proportioned to the nature of the service. If any service is under-paid, it is apt to suffer by the incapacity of those employed in it. If it is over-paid, it will suffer by their negligence and idleness. P. 234—7.

PART IV.

Of the Expence of supporting the Dignity of the Sovereign.

ABOVE the expences necessary for enabling the sovereign to perform his several duties, a certain expence is requisite for the support of his dignity. This expence varies both with the different periods of improvement, and with the different forms of government.

CONCLUSION. The expence of defending the society, and that of supporting the dignity of the chief magistrate, are both laid out for the general benefit of the society. It is reasonable, therefore, that they should be defrayed by the whole society, all the members contributing in proportion to their respective abilities. The expence of the administration of justice, may be defrayed by the general contributions of the whole society; or by the persons immediately concerned, by the fees of court. Local expences ought to be defrayed by a local revenue. The expence of good roads is best defrayed by turnpike tolls which lay it upon those who travel or carry goods from one place to another, and upon those who consume them. The expence of the institutions for education and religious instruction may, with advantage, be defrayed by those who benefit from them, or by voluntary contributions. P. 237—40.

CHAP. II.

Of the Sources of the general or public Revenue of the Society.

THE revenue which must defray all the expences of government, may be drawn either, (1.) From some fund which belongs to the sovereign, or commonwealth; or, (2.) From the revenue of the people.

PART I.

Of the Funds or Sources of Revenue which may peculiarly belong to the Sovereign, or Commonwealth.

THESE funds must consist either in *stock*, or in *land*. His revenue is, in the one case, *profit*, in the other, *interest*. It is only in the rudest state of civil government that profit has made the principal part of the public revenue of a monarchical state. Small republics have sometimes derived a considerable revenue from the profit of mercantile projects. Hamburgh is said to do so by a wine cellar, and an apothecary's shop. The profit of a public bank has been a source of revenue to more considerable states, such as Venice and Amsterdam. The post-office is properly a mercantile project, and is, perhaps, the only one which has been successfully managed by every sort of government. *Princes*, however, have frequently engaged in many mercantile projects, but seldom with success. The profusion with which their affairs are managed, renders it almost impossible that they should. No two characters seem more inconsistent than those of trader and sovereign. P. 241-4.

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A state may derive some part of its public revenue from the interest of money. The canton of Berne derives a considerable revenue by lending part of its treasure to foreign states. The security of this revenue must depend, (1.) Upon the security of the funds in which it is placed: and, (2.) Upon the probability of the continuance of peace with the debtor nation. The city of Hamburgh has established a sort of public pawnshop, which lends money to the subjects of the state at 6 per cent. by which, it is pretended, that the state gains 33,750*l.* sterling a year. The perishable nature of stock and credit, render them unfit to be trusted to, as the principal funds of that revenue which can give security to government. P. 245—7.

Land is a fund of a more stable and permanent nature, and has been the principal source of public revenue of many a great nation;—of the antient republics of Greece and Italy. The rent of the crown lands constituted, for a long time, the greater part of the revenue of the antient sovereigns of Europe. *War*, and the preparation for war, occasion the greater part of the necessary expence of all great states. In antient Greece and Italy, every citizen was a soldier at his own expence. And in the antient monarchies of Europe, the body of the people took the field at the expence of their lords, without bringing any new charge upon the sovereign. The other expences of government were moderate, which the rent of a great landed estate might defray. In the present state of Europe, the rent of all the lands in the country, managed as they probably would be if they *all* belonged to *one* proprietor, would scarce amount to the ordinary revenue laid upon the people even in peaceable times. The ordinary revenue of Great Britain amounts to upwards of ten millions a

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year.* But the land tax at four shillings in the pound falls short of two millions. P. 248—51.

The revenue which the great body of the people derives from land, is in proportion not to the *rent*, but to the *produce* of the land. The whole produce, except what is reserved for seed, is either annually consumed, by the people, or exchanged for something that is consumed by them. Whatever keeps down the produce of the land below what it would otherwise rise to, keeps down the revenue of the great body of the people, still more than it does that of the proprietors of land, since the rent of land is seldom more than the third part of the produce.

Though there is no civilized state in Europe, which derives the greater part of its public revenue from the rent of lands which are the property of the state, yet in all the great monarchies, there are still large tracts of land which belong to the crown. These are, in general, mere waste and loss of country, the sale of which would, however, produce a large sum of money, which might be applied to the payment of the public debts.

The crown might immediately enjoy the revenue which this price would redeem from mortgage. In a few years it would enjoy another revenue, arising from the cultivation of these lands. It would, in all cases, be for the interest of the society, to re-place the revenue which the crown enjoys from its lands by some other revenue, and to divide those lands, by public sale, among the people. Pleasure grounds seem to be the only lands which, in a civilized monarchy, ought to belong to the crown. P. 252—4.

* It has been clearly demonstrated by Mr. WILLIAM MORGAN, and the Earl of LAUDERDALE, that the ordinary expences of Great Britain, in future, *cannot be less* than TWENTY-FIVE MILLIONS per annum. Ed.

PART II.

Of Taxes.

EVERY tax must be finally paid from the private revenue of individuals, which arises ultimately from *rent*; *profit*; and *wages*. It is necessary to premise the *four* following maxims. (1.) The subjects of every state ought to contribute to support of government, in proportion to their respective abilities; that is, in proportion to the revenue which they respectively enjoy under the protection of the state. (2.) The tax which each individual is bound to pay, ought to be certain and not arbitrary. (3.) Every tax ought to be levied at the time, or in the manner, most convenient for the contributor to pay it. (4.) Every tax ought to be so contrived as both to take out, and to keep out, of the pockets of the people as little as possible, over and above what it brings in to the public treasury of the state. A tax may either take out, or keep out of the pockets of the people a great deal more than it brings into the public treasury, in four ways. 1. By the *number* of officers who levy it. 2. By obstructing the industry of the people. 3. By penalties incurred in attempting to evade the tax. 4. By subjecting the people to the frequent visits and examinations of tax gatherers. The evident justice and utility of the foregoing maxims have recommended them more or less to the attention of all nations. P. 255—9.

ARTICLE I. *Taxes upon Rent. Taxes upon the Rent of Land.*

A tax upon the rent of land may either be imposed according to a certain canon not to be altered; or it may be imposed so as to vary with every variation in the real rent of land. A land tax which, like that of Great Britain, is assessed upon each district according to a cer-

tain invariable canon, though *equal* at the time of establishment, becomes unequal in process of time, according to the unequal degrees of improvement of the different parts of the country. In England the land tax was *unequal* at its first establishment. It offends, therefore, against the *first* maxim. It is agreeable to the other *three*.

The advantage which the landlord has derived from the invariable constancy by which the lands are rated to the land tax, has been principally owing to circumstances extraneous to the tax.—It has been owing in part to the prosperity of almost every part of the country, the rents every where continually rising. The landlords, therefore, have gained the difference between the tax which they would have paid according to the present rent of their estates, and that which they actually pay. Had rents been gradually falling, the landlords would have lost this difference. As this tax is payable in money, so the valuation of the land is expressed in money. Since the establishment of this valuation, the valuation of silver has been pretty uniform, and there has been no alteration in the standard of coin. Had silver risen, it would have proved very oppressive to the landlord. Had it fallen, it would have reduced the revenue of the sovereign. Had any considerable alteration been made in the standard of the money, it would have hurt the revenue of the proprietor, or that of the sovereign. P. 259—62.

A tax upon the rent of land which varies with every variation of the rent, is recommended by the *economists* of France as the most equitable of all taxes, since all taxes as *they* say, must ultimately fall upon the rent of land, and therefore ought to be imposed equally upon the fund which must *finally* pay them. It will appear, from the following review, what are the taxes which fall finally upon the rent of land, and what are those which fall finally upon some other fund. In the Venetian territory,
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arable lands, given in lease, are taxed at 10 per cent. but if the proprietor cultivates his own lands he pays only 8 per cent. of the supposed rent. This is more equal than the land tax of England, and might under a proper administration, and by a public register of leases, be easily carried into effect. Some landlords, instead of raising the rent, take a fine for the renewal of the lease. This is, in most cases, injurious to the landlord; frequently hurtful to the tenant; and always hurtful to the community. Some leases prescribe to the tenant a certain mode of cultivation. This condition ought to be considered as an additional rent. Some landlords require a rent in kind, and others a rent in service. Such rents are always more hurtful to the tenant than beneficial to the landlord. When the landlord chose to occupy himself a part of his own lands, the rent should be valued by the farmers and landlords in the neighbourhood, and an abatement of the tax might be granted to him, provided the rent of the lands which he occupied did not exceed a certain sum. P. 263—6.

Such a system of administration might, perhaps, free a tax of this kind from uncertainty. The expence of levying a land tax, which varied with every variation of the rent, would no doubt be somewhat greater than that of levying one which was always rated according to a fixed valuation. The discouragement which a variable land tax of this kind might give to the improvement of land, seems the principal objection: this might be obviated by regulations sufficient not only for the landlords complete indemnification, but so as to give some encouragement to the improvement of land. A tax of this kind would suit all the variations of the society, consequently would be more proper than a tax always to be levied according to a certain valuation. P. 267—9.

Some states, instead of the simple expedient of the register of leases, have had recourse to the expensive one of an actual survey and valuation of all the lands in the country

country. *Dooms-day book* seems to have been the result of a very accurate survey of this kind. In the antient dominions of the King of Prussia, the land tax is assessed according to an actual survey and valuation. According to that valuation, the *lay* proprietors pay from 20 to 25 per cent. Ecclesiastics from 40. to 45 per cent. P. 270—1.

A land tax assessed according to a general survey, how equal soever at first, must become unequal, unless an attention is paid to it which is unsuitable to the nature of government. The governments of Prussia, Bohemia, Sardinia, and Milan actually exert this attention. P. 272—3.

Taxes which are proportioned, not to the Rent, but to the produce of Land.

Taxes upon the *produce* of land are in reality taxes upon the *rent*, and are finally paid by the landlord: the farmer always computing the value of all the taxes before he agrees with the landlord for the rent. The *tythe*, and every other land tax of this kind, are very *unequal* taxes. Upon the rent of *rich* lands it may be no more than 4s. whereas upon that of *poorer* lands, it may be 10s. The *tythe* is also a great discouragement both to the improvements of the landlord, and to the cultivation of the farmer. The cultivation of *Madder* was for a long time confined by the *tythe*, to the United Provinces; and introduced into England, only in consequence of the statute which enacted that 5s. an acre should be received in lieu of all manner of *tythe* upon that article.

In many parts of Asia the state is principally supported by a land tax proportioned to the produce. In China it consists in a tenth part of the produce; but this tenth is so very moderately estimated, as not to exceed the thirtieth part. The land tax of Egypt amounted to a fifth

fifth part. In Asia this sort of land tax is said to interest the sovereign in the improvement and cultivation of land. But the tythe of the church is divided into such small portions that no one of the proprietors can have an interest of this kind. P. 274—7.

Taxes upon the produce of land may be levied, either in *kind*; or, according to a certain valuation in *money*. The parson of a parish may find advantage in receiving his tythe in *kind*. But a sovereign could not from receiving his taxes in kind. A tax upon the produce of land which is levied in money, may be levied according to a valuation which varies with the market price;—or according to some fixed valuation. The produce of a tax levied in the *former* way, will vary only according to the variations of the *real produce* of the land. That levied in the *latter* way will vary, not only according to the variations in the produce, but according to the value of the precious metals, and the standard of the coin. When a certain sum of money is to be paid in full compensation for all tax, and tythe, the tax becomes like the land tax of England. Such is the *Modus* taken in lieu of tythes. It neither encourages nor discourages improvement. P. 277—9.

Taxes upon the Rent of Houses.

The rent of a house may be distinguished into *building rent*; and *ground rent*. The *former* is the *interest* or profit of the capital expended in building, and keeping the house in constant repair; which is regulated by the ordinary interest of money. Whatever part of the whole rent of a house is over and above this reasonable profit, goes to ground rent, and is paid to the ground owner. Ground rents vary according to the situation: they are highest in the capital, and where the demand for houses happens to be the greatest. P. 280—1.

A tax upon house rent, payable by the tenant, and proportioned to the whole rent of each house, could not long affect the building rent: it would divide itself partly upon the inhabitant of the house, and partly upon the owner of the ground; in what proportion it is not very easy to ascertain. P. 282—3.

The rent of houses is, in one respect, essentially different from the rent of land. The *latter* is paid for the use of a *productive* subject. The *former* for the use of an *unproductive* subject. The rent must, therefore be drawn from some other source of revenue. A tax upon the rent of houses, so far as it falls on the inhabitants, must be drawn from the same source as the rent itself; and is one of those taxes which must fall indifferently upon all the *three* sources of revenue; and is, in every respect, of the same nature as a tax upon consumable commodities. In general, there is no article of expence by which a man's *whole* expence can be better judged of than by his house rent. A proportional tax upon this article, would probably be very productive. The rent of houses might be easily ascertained. Uninhabited houses ought to pay no tax. Houses inhabited by the proprietors, ought to be rated according to the rent they would be likely to bring, if leased to a tenant. P 284—5.

Ground rents are a still more proper subject of taxation, than the rent of houses. A tax on ground rent would not raise the rent of houses. It would fall upon the owner of the ground rent. Ground rents, and the ordinary rent of land, are a species of revenue which can best bear a tax. It being a revenue enjoyed without any attention of the owner: a tax upon it would occasion no discouragement to industry. Ground rents seem, in this respect, a more proper subject of peculiar taxation than even the ordinary rent of land. There might be *some* difficulty in ascertaining the proportion of the ground rent, to the building rent; though the difficulty does not seem very great. P. 286—8.

In

In Holland, every house tenanted or untenanted, is taxed at $2\frac{1}{2}$ per cent. of its value. The contrivers of the taxes, imposed upon houses, in England, at different times, seem to have imagined that there was some great difficulty in ascertaining the real rent of every house. Hence, the tax of two shillings upon every *hearth*. This was abolished soon after the revolution. The next tax of this kind, was upon every dwelling-house inhabited, according to the number of windows it contained. This tax was repealed, and in its stead was established the window tax. The principal objection to all such taxes is their inequality, as they must frequently fall much heavier upon the poor than upon the rich. A house of 10l. rent in the country, may have more windows than a house of 500l. rent in London. Such taxes are, therefore, contrary to the first of the four maxims above-mentioned. P. 289—91.

ARTICLE II. *Taxes upon Profit, or upon the Revenue arising from Stock.*

The revenue arising from stock divides itself into two parts: (1.) That which pays interest; and (2.) That which is over and above what is necessary for paying the interest. The *latter* part of profit is a subject not taxable directly. It is a compensation, for the risk and trouble of employing the stock. The employer must have this compensation, otherwise he cannot continue the employment. If he was taxed directly in proportion to the *whole* profit, he must either raise the rate of profit, or pay less interest. In the *former* case, the tax would be finally paid by the landlord, or by the consumer according to the way in which he employed his stock. In the *latter* case, the tax would fall upon the interest of money. P. 292—3.

The interest of money seems, at first sight, a subject as fit to be taxed directly, as the rent of land. Two cir-

circumstances, however, render it less proper. (1.) The quantity and value of the land which any man possesses, can never be a secret. But the whole amount of his capital cannot be exactly ascertained. It is liable, besides, to continual variations. (2.) Land is a subject which cannot be removed; whereas stock easily may. A tax, therefore, which tended to drive away stock from any country, would tend to dry up every source of revenue. The profits of stock; the rent of land; and the wages of labour would be diminished by the removal. Hence, the loose manner in which stock is estimated by those nations, who have attempted to tax the revenue arising from it. If the *lands* of England are not rated to the land-tax at half their value, the *stock* of England (assessed upon houses) is scarce rated at the fiftieth part of its actual value. P. 294—7.

In all countries a severe inquisition into the circumstances of private persons, has been carefully avoided. At Hamburgh, every inhabitant pays to the state one fourth per cent. of all he possesses, this is a tax upon stock. Every man *assesses himself* upon oath before a magistrate. This tax is paid with great fidelity. Nor is it peculiar to Hamburgh. Similar instances are to be found at Underwald, in Switzerland; Zurich; and Basil. And once a tax of the fiftieth penny was imposed upon every citizen in Holland, assessed in the same manner as at Hamburgh. P. 298—300.

Taxes upon the profit of particular employments.

IN some countries taxes are imposed on the profits of stock; sometimes when employed in particular branches of trade; and sometimes when employed in agriculture. Of the former kind are, in England, the tax upon hawkers and pedlars; that upon hackney coaches, &c. A Tax upon the profits of stock must always finally fall upon the

the consumers, and if it is proportioned to the trade of the dealer occasions no oppression to him. P. 301—3.

What in France is called the personal taille is, perhaps, the most important tax upon the profits of stock employed in agriculture that is levied in any part of Europe. During the feudal government in Europe, the sovereign was obliged to content himself with taxing those who were too weak to refuse to pay taxes. The great lords constantly refused to subject themselves to any constant tax. But they were willing that the sovereign should tax the other occupiers of land, held by ignoble tenure. Sometimes the tax was laid upon the supposed profits of those who held in farm or lease lands belonging to other people; and in this case the taille was said to be personal. It was the occasion of much oppression and injustice. P. 304—6.

When a tax is imposed upon the profits of stock in a particular branch of trade, the traders are careful that the tax should fall upon the consumer. But when a tax is imposed upon the profits of stock employed in agriculture, it must fall finally upon the landlord. In countries where the personal taille takes place, the farmer is commonly assessed in proportion to the stock which he appears to employ in cultivation. He therefore wishes to appear scarce able to pay any thing, for fear of being obliged to pay too much. Hence the cultivation is degraded, by which, the public, the farmer, and the landlord all suffer. P. 307—8.

What are called poll taxes in America, annual taxes of so much a head upon every negroe, are properly taxes upon the profits of a species of stock employed in agriculture. The tax falls upon the planter as landlord. Taxes of so much a head upon the bondmen employed in cultivation seem antiently to have been common all over Europe. Hence poll-taxes of all kinds are represented as badges of slavery. Every tax is, to the person who pays it, a badge of liberty. It denotes that he has

some property, and therefore cannot himself be the property of a master. A poll tax on slaves is altogether different from a poll-tax upon freemen. The taxes upon servants are not taxes upon *stock*, but upon *expence*. Taxes upon the profit of stock in *particular* employments, never affect the interest of money. Nobody will lend his money for less interest to those who exercise the taxed, than those who exercise the untaxed employment.

Taxes upon the revenue arising from stock, in *all* employments will sometimes fall upon the interest of money. P. 309—10.

APPENDIX to ARTICLES I. and II. *Taxes upon the capital value of Land, Houses, and Stock.*

While property remains in the possession of the same person, the permanent taxes imposed upon it have never been intended to diminish its capital value, but only part of the revenue arising from it. But when property changes hands, such taxes have frequently been imposed upon it as necessarily take away some part of its capital value. The transference of *all* sorts of property from the dead to the living, and that of immoveable property from the living to the living, are transactions which cannot be concealed. Such transactions may be traced directly. The transference of moveable property from the living to the living may be taxed indirectly: (1.) By requiring that the deed, containing the obligation to repay, should be written upon paper or parchment which has paid a stamp duty: (2.) That it should be recorded in some public or private register, and by imposing duties on registration. The *Vicesima Hereditatum* imposed by Augustus upon the Romans was a tax upon the transference of property from the dead to the living. Of the same kind is the Dutch and English tax upon successions. P. 311—13.

The

The casualties of the feudal law, were taxes upon the transference of land, both from the dead to the living, and from the living to the living. The heir of every immediate vassal of the crown paid a certain duty, generally a year's rent, upon receiving the investiture of the estate. By the feudal law, the vassal could not *alienate* without the consent of his superior, who extorted a fine for granting it. Taxes upon the sale of lands, or of lands held by certain tenures, take place in many countries, and make a branch of the revenue of the sovereign. Such transactions may be taxed indirectly by means of stamp duties, or of duties upon registration; and those duties may, or may not be proportioned to the value of the subject transferred. Those modes of taxation are of very modern invention. In about a century, however, stamp duties have in Europe become almost universal, and duties upon registration extremely common. There is no art which one government sooner learns of another, than that of draining money from the pockets of the people. Taxes upon the transference of property from the dead to the living, fall upon the person to whom the property is transferred. Taxes upon the sale of land fall altogether upon the seller. The seller being almost always obliged to sell. But the buyer is scarce ever under the necessity of buying.

Taxes upon the sale of *new* built houses, where the building is sold without the ground, fall generally upon the buyer. Taxes upon the sale of old houses, and ground rents, fall upon the seller. Stamp-duties for borrowed money fall upon the borrower.

All taxes upon the transference of property, so far as they diminish the capital value of property, tend to diminish the funds destined for the maintenance of productive labour. Such taxes are always unequal; the frequency of transference not being equal, in property of equal value.

The

The registration of mortgages is advantageous to the public. Deeds of other kinds are inconvenient to individuals, without any advantage to the public.

Stamp duties on cards, dice, news-papers, &c. are taxes upon consumption, and are paid by the consumer. P. 314—21.

ARTICLE III. *Taxes upon the Wages of Labour.*

The wages of the inferior classes of workmen, are regulated by the demand for labour;—and by the average price of provisions. These remaining the same, a *direct* tax upon the wages of labour, must raise them somewhat higher than the tax. If the tax was one fifth, the price of labour must rise one fourth. A direct tax, therefore, upon the wages of labour, would be advanced by the employer, but it would finally be paid, together with the additional profit, by the consumer. The rise which such a tax might occasion in the wages of country labour, would fall upon the landlord. If direct taxes upon the wages of labour have not always occasioned a proportionable rise in those wages, it is because they have generally occasioned a considerable fall in the demand for labour. The declension of industry, the decrease of employment for the poor, and the diminution of the annual produce of the land and labour of the country, have been the effects of such taxes. Absurd and destructive as such taxes are, however, they take place in many countries. In *Bohemia*, artificers are divided into four classes, the highest pay about 9l. 7s. 6d. a year; the second 6l. 10s. the third 4l. 13s. 9d. and the fourth 2l. 7s. a year. A tax upon the recompence of artists, and men of liberal professions, must raise that recompence higher than in proportion to the tax. The emoluments of offices are not regulated by the free competition of the market, and being in general higher than the

the nature of the employment requires, can well bear to be taxed. P. 321—6.

ARTICLE IV. *Taxes which, it is intended, should fall indifferently upon every different Species of Revenue.*

These are capitation taxes, and taxes upon consumable commodities, which must be paid indifferently from whatever revenue the contributors may possess.

Capitation Taxes, if proportioned to the *revenue* of the contributor, become *arbitrary*. The state of a man's fortune varies from day to day, the assessment must, therefore, depend upon the humour of the assessors. If they are proportioned to the *rank* of the contributor, they become *unequal*: the degrees of fortune being frequently unequal in the same degree of rank. Such were the poll-taxes in England, during the reign of William III. and those in France from the beginning of the present century. The poll-taxes in England never produced the sum expected. Those in France did. Capitation taxes, so far as they are levied upon the lower ranks of the people, are direct taxes upon the wages of labour;—they are levied at little expence, and where they are rigorously exacted, afford a sure revenue to the state. P. 327—30.

Taxes upon consumable Commodities: which are either *necessaries*, or *luxuries*. By the *former* must be understood, whatever the custom of the country renders it indecent for creditable people to be without. Such, in England, are a linen shirt, and leathern shoes, which cannot be strictly called necessary for the support of life. Ale, wine, &c. are luxuries which a man may abstain from without any reproach. A tax upon the necessities of life operates exactly in the same manner as a direct tax upon the wages of labour. It is otherwise with taxes upon luxuries. They will not necessarily occasion any
rise

rise in the wages of labour. The high price of luxuries, such as tobacco, tea, sugar, spirituous liquors, &c. do not diminish the ability of the inferior ranks of people to bring up their families. Upon the industrious poor, taxes upon such commodities act as *sumptuary* laws, and thus frequently increase their ability to bring up their families. P. 331—5.

Any rise in the average price of necessaries, unless it is compensated by a proportional rise in the wages of labour, must diminish the ability of the poor to bring up numerous families, and consequently to supply the demand for useful labour.

Taxes upon luxuries have no tendency to raise the price of any other commodities, except the commodities taxed. Taxes upon necessaries, by raising the price of labour, raise the price of all manufactures, and diminish their consumption. Taxes upon luxuries are paid by the consumers of the commodities taxed: those upon necessaries are partly paid by the landlord, and partly by the consumers, in the advanced price of manufactured goods. They fall heaviest upon the landlords. P. 336—7.

In Great Britain, the principal taxes upon the necessities of life are those upon salt, leather, soap, and candles; all of which are very heavily taxed. Fuel is, during the winter, a necessary of life; coals are the cheapest of all fuel, and absolutely necessary to the manufactures; if a bounty could be in any case reasonable, it might be so upon the transportation of coals, but instead of a bounty, the legislature has imposed a tax of 3s. 3d. upon each ton carried coastways. Where they are cheap, they are consumed duty free; where they are dear, they are loaded with a heavy duty. Such taxes afford a considerable revenue to government, which it might not be easy to find in any other way. P. 338—9.

Taxes

Taxes upon the necessities of life are much higher in many countries than in Great Britain. Duties upon flour and bread take place in some countries. Taxes upon butcher's meat are still more common than those upon bread. It may be doubted whether butcher's meat is a necessary of life. P. 340—1.

Consumable commodities may be taxed in two ways.

(1.) The consumer may either pay an annual sum on account of his using or consuming goods of a certain kind: or, (2.) The goods may be taxed while they remain in the hands of the dealer. Consumable goods which last a *considerable time*, are most properly taxed in one way: those for immediate or speedy consumption in the other. The coach tax and plate tax are examples of the *former* method: the duties of excise and customs, of the *latter*. Sir Matthew Decker proposed, that *all* commodities should be taxed, by the consumer paying a certain sum for the licence to consume certain goods. His scheme was to promote the *foreign*, and *carrying* trade. It seems liable to the four following objections: (1.) The tax would be more *unequal* than one upon consumption: (2.) It would diminish one of the principal conveniences of taxes upon goods of speedy consumption; the *piece-meal* payment: (3.) Such taxes would operate less as sumptuary laws. (4.) If a workman were to pay all at once, a tax equal to the whole of what he at present pays, the sum might distress him very much. P. 342—4.

The duties of *excise* fall upon luxuries, excepting those upon salt, soap, leather, candles, and green glass. The duties of *customs* are more antient than those of excise. They appear to have been originally considered as taxes upon the profits of merchants: they were divided into those upon wool, and woollen cloths;—those upon wine, being imposed so much a ton, were called *tonnage*;—and those upon other goods, at so much a pound of their supposed value, were called *poundage*.

The duties of *tonnage* and *poundage* were generally granted to the king by the same act of parliament, and were called the subsidy of tonnage and poundage. The first subsidy was a duty of six-pence in the pound, in the reign of Edward III. it was afterwards raised to one shilling, and is called the *old* subsidy. The *new* subsidy imposed by the 9th of William III. was an additional 6 per cent. Since which there have been *three* others, besides a great variety of duties upon particular goods. The *old* subsidy was imposed upon exportation as well as importation. The other four have been laid altogether upon importation. P. 345—8.

The mercantile system seems not to have been very favourable to the revenue of the sovereign; so far, at least, as that revenue depends upon the duties of customs. In consequence of that system, the importation of several sorts of goods has been prohibited altogether. The high duties imposed upon the importation of some foreign goods have encouraged smuggling. Bounties upon the re-exportation of foreign goods, have given occasion to many frauds upon the revenue. Heavy duties being imposed upon almost all goods imported, the importers make entry of as little as they can: the exporters make entry of more than they export. Hence, the exports appear upon the custom-house books, greatly to overbalance the imports. P. 349—51.

In order that the greater part of the members of any society, should contribute to the public revenue in proportion to their respective expence, it is *not* necessary that every single article of that expence should be taxed. The duties of excise are imposed upon a few articles only of the most general use. Those of customs might likewise, without loss to the revenue be confined to a few articles only. The *foreign* articles of the most general use in Great Britain seem to consist in wines, brandies, sugar, rum, tobacco, cocoa-nuts, tea, coffee, china, piece-goods, and spiceries of all kinds. These afford

afford the greater part of the revenue which is drawn from the duties of customs. The taxes upon other foreign manufactures, have been imposed more for the purpose of *monopoly* than revenue. *High* taxes by diminishing the consumption, or by encouraging smuggling, frequently afford a smaller revenue to government, than what might be drawn from more moderate taxes. The *excise* laws are found to embarrass the smuggler more than those of the *customs*. By introducing into the customs a system similar to that of the excise, the difficulty of smuggling would be very much increased. If smuggling, to any considerable extent, could be prevented, and taxation was always employed as an instrument of revenue, and never of monopoly, it is probable that a revenue, equal to the present neat revenue of the customs, might be drawn from duties upon the importation of only a few sorts of goods of the most general consumption. If by such a change of system the public revenue suffered no loss, the trade and manufactures of the country would certainly gain a very considerable advantage. The trade in the commodities *not* taxed would be perfectly free, and might be carried on with all parts of the world with the greatest advantage. Even the trade in the commodities taxed would be carried on with much more advantage than at present. It was the object of Sir Robert Walpole's excise scheme to establish a system not very unlike this. P. 352—8.

The duties upon foreign luxuries, imported for home consumption, fall principally upon people of middling, or more than middling fortune: those upon the cheaper luxuries of home produce, destined for home consumption, fall pretty equally upon people of all ranks in proportion to their respective expence.

The *whole* expence of the inferior, is much greater than that of the superior ranks: for (1.) almost the whole capital of every country, is annually distributed among the inferior ranks of people, as wages of productive la-

bour: (2.) A great part of the revenue arising from the rent of land, is annually distributed among the same rank, in the wages and maintenance of unproductive labourers: (3) some part of the profits of stock belongs to the same rank, as a revenue arising from the employment of their small capitals: (4.) Some part even of the rent of land belongs to the same rank. Hence, the taxes upon expence which fall chiefly upon that of the superior ranks of people, are likely to be less productive than those which fall indifferently upon the expence of all ranks,

The *luxurious*, and not the *necessary* expence of the inferior ranks, ought ever to be taxed. The final payment of any tax upon the *necessary* expence would fall upon the superior ranks of people; upon the *smaller* portion of the annual produce. Such a tax must either raise the wages of labour, or lessen the demand for it. P. 359—61.

Fermented liquors brewed, and spirituous liquors distilled for *private use*, are not in Great Britain liable to any duties of excise. This exemption occasions the burden of those duties to fall lighter by nine or ten shillings the barrel of strong beer upon the rich who can brew, than upon the poor who cannot. It is *not* common to distil for private use. *Malt*, in the same manner, that is made for the use of a private family, is not liable to the examination of the tax-gatherer; but in this case, the family must compound at seven shillings and six-pence a head for the tax. There is no reason why those who brew or distil, should not be subject to a composition of the same kind. A greater revenue than what is at present drawn from all the heavy taxes upon malt and beer, might be drawn by tripling the malt tax, and repealing the others, owing to the frauds in a brewery, and the exemption from duties of those who brew for private use. It appears from the average of four years, viz. from 1772, to 1775, that this plan would have added to the annual revenue upwards of 280,000l.

But

But since malt is consumed in the manufactures of low wines and spirits, it would be necessary, if this malt tax was to take place, that some abatement should be made in the excises imposed upon those low wines and spirits. Spirituous liquors might remain as dear as ever, that the price of beer might be reduced, which would encourage the sale of beer in conformity to the policy of Great Britain. P. 362—6.

Dr. Davenant, objects to this alteration, on account of the injury it would occasion to the maltster; and also because so heavy a tax upon malt might reduce the rent and profit of barley land. But no tax can ever reduce, for any considerable time, the rate of profit in any particular trade, which must keep its level with other trades in the neighbourhood. The present duties upon malt and beer, do not affect the profits of the dealers in those commodities. But the consumption of malt is in malt liquors. And it would not be more difficult for the maltster to get back eighteen shillings in the advanced price of his malt, than it is at present for the brewer to get back twenty-four shillings, or thirty shillings in that of his liquor. The only inconveniency which could arise to the maltster, might be remedied by granting a few months longer credit, than is at present given to the brewer. Nothing could reduce the rent of barley land, which did not reduce the demand for barley. But a change of system which reduced the duties upon a quarter of malt, from twenty-four shillings to eighteen, would be more likely to increase than diminish that demand. Besides the rent and profit of barley land, must be always nearly equal to those of other equally fertile and equally well cultivated land. The only people that would suffer by the change of system here proposed, are those who brew for their own private use. But the exemption which they enjoy is unjust, and ought to be taken away. P. 367—70.

Besides such duties as those of *customs* and *excise*, there are others which affect the price of goods more
unequally

unequally and indirectly. Such are turnpike tolls, or the tolls upon canals. These duties are most properly imposed according to the bulk or weight of goods. Where the sovereign has assumed the administration of those duties, he has generally enhanced the duty, and neglected the application.

In some states there are *transit* duties; the most important of which is that levied by the King of Denmark, upon all merchant ships which pass through the sound. Such taxes upon luxuries, as the greater part of the duties of customs and excise, though they fall upon every species of revenue, and are finally paid by the consumer, yet they do not fall *proportionally* upon the revenue of every individual. The *profuse* contribute more, the *parsimonious* less than their proper proportion. During the minority of a man of great fortune, he contributes little, towards the support of that state, from whose protection he derives a great revenue. Those who live in another country, contribute *nothing* by their consumption towards the support of the government of that country, in which is situated the source of their revenue. Hence, the justice and popularity of a tax on *absentees*. P. 371---4.

Taxes upon luxuries are, perhaps, as agreeable to the three *first* general maxims concerning taxation, as any other. They offend against the *fourth*, in all the four different ways in which it is possible to do it. (1.) The levying of such taxes, requires a great number of custom-house and excise officers, whose salaries are a tax upon the people, which brings nothing into the treasury of the state. (2.) Such taxes necessarily occasion some obstruction to certain branches of industry. As they raise the price of the commodity taxed, they so far discourage its consumption, and consequently its production. (3.) The hope of evading such taxes by smuggling, frequently occasion forfeitures and penalties which ruin the smuggler, a person, who is frequently incapable of violating the laws of natural justice, and would have
been

been an excellent citizen, had not the laws of his country made that a crime, which nature never meant to be so. (4.) Such taxes, by subjecting the dealers to the frequent visits and odious examinations of the tax gatherer, expose them sometimes to oppression, and always to trouble and vexation, from which a man would be willing, at a certain expence, to redeem himself. P. 375—80.

In consequence of the notion, that duties upon consumable goods were taxes upon the profits of merchants, those duties, in some countries, have been repeated upon every successive sale of the goods. The *alcavala* of Spain was at first a tax of 10 per cent. afterwards of 14 per cent. and is at present of only 6 per cent. upon the sale of property, whether moveable or immoveable; and it is repeated *every time* the property is sold. In the kingdom of Naples, there is a similar tax of three per cent. P. 381—2.

The taxation which takes place in Great Britain leaves the interior commerce of the country, the inland and coasting trade almost entirely free. Goods carried coastwise, and coals are exceptions. To this freedom of interior commerce, perhaps, the prosperity of the country is chiefly owing. If the same freedom could be extended to Ireland, and the plantations, the prosperity would probably be still greater. In France too, the provinces most famous for wines, are those in which the trade in that article is subject to the fewest restraints, arising from the complicated system of French revenue laws. Complicated revenue laws are not peculiar to France; they exist in Milan and Parma to such a degree, that nothing but the great fertility of the soil, and the happiness of the climate could preserve such countries from relapsing into the lowest state of poverty. P. 383—5.

Taxes upon consumable commodities may be either levied by government itself, or they may be let in farm
for

for a certain rent, the farmer being allowed to appoint his own officers to levy the tax. The best and most frugal way of levying a tax, can never be by farm; since the farmer must always draw from the produce of the tax, besides the stipulated rent, and expence of administration; a profit proportioned to the advance which he makes;—to the risk which he runs;—to the trouble which he is at;—and to the knowledge and skill which it requires to manage so complicated a concern. To farm any considerable branch of the revenue, requires either a great capital, or great credit, circumstances which of themselves restrain the competition to a very small number of people, who often combine together to offer no rent, but what is below the real value. Hence farmers of the public revenue are generally very rich. They have no compassion for the contributors, but demand greater severity in the revenue laws, which are always most sanguinary in countries where the greater part of the public revenue is in farm. P. 386—7.

A tax is sometimes farmed, and the farmer has, besides, the monopoly of the commodity taxed. In such cases the farmer instead of one, levies two exorbitant profits upon the people. In France the duties upon tobacco and salt are levied in this manner. The temptation of smuggling these articles is, to many people, irresistible; and smuggling them, sends every year several hundred people to the gallies, besides a considerable number whom it sends to the gibbet. Those who consider the blood of the people as nothing, in comparison of the revenue of the prince, may perhaps approve of this method of laying taxes.* P. 386—8.

* The remaining six pages of this chapter, refer entirely to the particular modes of taxation in France and Holland; which, by the revolutions in those countries, have probably been superseded by others less oppressive. It is not necessary to take any notice of them in this place. Ed.

CHAP. III.

Of public Debts.

It has been shewn in the third book of this inquiry, that in the rude state of society, the person who possesses a large revenue, can enjoy that revenue in no other way, than by maintaining nearly as many people as it can maintain. A hospitality in which there is no luxury, and a liberality in which there is no ostentation, occasion the principal expences of the rich and great. But these are expences by which people are not apt to ruin themselves. Some of their wool and raw hides, our feudal ancestors were able to sell for money, some part of which they spent in objects of vanity, and some part they seem to have hoarded. In those times of violence, it was convenient to have a hoard of money at hand; and it was equally convenient to conceal that hoard. The frequency of *treasure trove* demonstrates the frequency, in those times, both of hoarding and of concealing the hoard. P. 394—6.

The same disposition to save and to hoard prevailed in the sovereign, as well as in the subjects. Among nations, to whom commerce and manufactures are little known, the sovereign, it has been observed in the fourth book, is in a situation which naturally disposes him to the parsimony requisite for accumulation. All the antient sovereigns of Europe, accordingly, had treasures. In a commercial country, the sovereign naturally spends a great part of his revenue in purchasing luxuries. His ordinary expence becomes equal to his ordinary revenue, and it is well if it does not frequently exceed it. When extraordinary exigencies require extraordinary expences, he must call upon his subjects for an extraordinary aid. The want of parsimony in time of peace, imposes the necessity of contracting debt in the time of

war. The same commercial state of society which brings government, in this manner, into the necessity of borrowing, produces in the subjects both an ability and an inclination to lend. P. 397—400.

Commerce and manufactures can seldom flourish long in any state, which does not enjoy a regular administration of justice; and in which the people have not a certain degree of confidence in the justice of government. The same confidence which disposes merchants, upon ordinary occasions, to trust their property to the *protection* of a particular government, disposes them upon extraordinary occasions to trust that government with the *use* of their property. The merchant makes money by lending money to government. The government of such a state is apt to depend on its subjects for money on extraordinary occasions, and therefore dispenses itself from the duty of saving. In the rude state of society few people would be able, and nobody would be willing, to lend their money to government on extraordinary exigencies. P. 401—2.

The progress of the enormous debts which oppress, and which will probably ruin, all the great nations of Europe, has been pretty uniform. Nations, like private men, have generally begun to borrow upon personal credit, without assigning any fund for the payment of the debt; and when this resource has failed them, they have gone on to borrow upon assignments of particular funds. What is called the unfunded debt of Great Britain, is contracted in the former of these two ways. It consists partly in a debt which bears no interest, and partly in a debt which bears interest. The debts due for extraordinary services; part of the extraordinaries of the army, navy, ordnance, &c. usually constitute a debt of the *first* kind. Navy and Exchequer bills constitute a debt of the *second* kind. The Bank of England, by agreeing to circulate Exchequer bills, that is to receive them at par, paying the interest due upon them,

them, keeps up their value, and thereby enables government to contract a large debt of this kind. When this resource is exhausted, and it becomes necessary to assign some branch of the revenue for the payment of the debt, government has, upon different occasions, done this in two different ways. Sometimes it has made this assignment for a *short period* only; and sometimes for perpetuity. When money was raised in the one way, it was said to be raised by *anticipation*; when in the other, by *funding*. In Great Britain the annual land and malt taxes are regularly *anticipated* every year. P. 402—4.

In the reign of King William, and during a great part of that of Queen Anne, most of the new taxes were imposed but for a short period, and a great part of the grants of every year, consisted in loans upon anticipation of the produce of those taxes. The produce being frequently insufficient for paying within the limited term, the principal and interest of the money borrowed, deficiencies arose, to make good which, it became necessary to *prolong the term*. The next step was to make them *perpetual*. P. 405—7.

In 1715, the different taxes which had been mortgaged for paying the bank annuity, with several others, which were rendered *perpetual*, were accumulated into one common fund, called the *aggregate fund*. In 1717, several other taxes were rendered perpetual, and accumulated into another fund, called the *general fund*. Hence, the greater part of the taxes were rendered perpetual, as a fund for paying the interest only of the money borrowed by different anticipations. During the reign of Queen Anne, five per cent. was declared to be the highest rate which could lawfully be taken for money borrowed upon *private* security. Soon after the greater part of the temporary taxes had been rendered perpetual, the creditors of the public were induced to accept of five per cent. for the interest of their money;

which occasioned a saving of one sixth of the greater part of the annuities, which were paid out of the funds above-mentioned. This saving left a considerable surplus, and laid the foundation of what has since been called the *sinking fund*. In 1717, it amounted to upwards of 323,000*l*. In 1727, the interest of the greater part of the public debts, was still farther reduced to four per cent. and in 1753, and 1757, to three and an half, and three per cent. which reductions still farther augmented the sinking fund. A sinking fund, though instituted for the payment of *old*, facilitates very much the contracting of *new* debts. P. 407—10.

Besides these two methods of borrowing, there are *two* others; that of borrowing upon annuities for terms of years; and that of borrowing upon annuities for lives. During the reigns of William and Anne, large sums were frequently borrowed upon annuities for terms of years, which were sometimes longer and sometimes shorter: but all were on terms very advantageous to the lender. During the two wars which began in 1739, and in 1755, little money was borrowed either upon annuities for terms of years, or upon those for lives. P. 411—12.

Annuities for lives have occasionally been granted in two different ways, either upon separate lives, or upon lots of lives, which are called tontines, from the name of their inventor. When annuities are granted upon separate lives, the death of every individual annuitant disburthens the public revenue. When annuities are granted upon tontines, the liberation of the public revenue does not commence till the death of all the annuitants comprehended in one lot, the last survivor succeeding to the annuities of the whole lot. Upon the same revenue more money can always be raised by tontines, than by annuities for separate lives. In France a much greater proportion of the public debts consists in annuities

for

for lives, than in England. This arises altogether from the different views and interests of the lenders. P. 413—16.

The ordinary expence of the greater part of modern governments, in time of peace, being equal, or nearly equal to their ordinary revenue, when war comes, they are both unwilling and unable to increase their revenue in proportion to the increase of their expence. By means of borrowing, they are enabled, with a moderate increase of taxes, to raise money sufficient to carry on the war; and by the practice of perpetual funding, they are enabled, with the smallest possible increase of taxes, to raise annually the largest possible sum of money. The return of peace seldom relieves the people from the greater part of the taxes imposed during the war. If, over and above paying the interest of the debt, and defraying the ordinary expence of government, the old revenue, together with the new taxes, produce some surplus revenue, it may, perhaps, be converted into a *sinking fund* for paying off the debt. But, (1.) This sinking fund is generally inadequate for paying, in peace, the whole debt contracted during the war: and, (2.) This fund is almost always applied to other purposes. During the most profound peace, various events occur, which require extraordinary expence, and government finds it always more convenient to defray this expence by misapplying the sinking fund, than by imposing a new tax. P. 417—19.

In Great Britain, from the time that we had first recourse to the ruinous expedient of perpetual funding, the reduction of the public debt in time of peace, has never borne any proportion to its accumulation in time of war. The foundation of the present debt was laid in the war which began in 1688. At the end of 1697, the debt amounted to 21,515,742l. 13s. 8½d. By four years peace, it was reduced to 16,394,701l. 1s. 7½d. In 1722, it amounted to 55,282,978l. 1s. 3d. and the reduction went

on till 1739, when the capital of the public debt amounted to 47 millions nearly. The war of 1739, increased it to more than 78 millions. Before the breaking out of the war in 1755, it was reduced to little more than 72½ millions. But at the conclusion of the peace in 1763, the *funded* debt amounted to more than 122½ millions; and in 1764, the whole debt was 139½ millions. In 1775, the debt was reduced to about 129 millions; and by the American war, it was increased to upwards of 230 millions.* P. 420—4.

The public funds of England have been represented as the accumulation of a great capital superadded to the other capital of the country, by means of which its trade and manufactures have been extended, much beyond what they could have been by means of that other capital only. But the capital advanced to government was a certain portion of the annual produce, turned away from serving in the function of a capital, to serve in that of revenue; from maintaining productive labourers, to maintain unproductive ones, and to be wasted without the hope of re-production. In return for the capital advanced, an annuity was obtained, for which a *new* capital might be replaced, but this new capital must have existed in the country before, and must have been employed, as all capitals are, in maintaining productive labour.

When for defraying the expence of government, a revenue is raised within the year, from the produce of free, or unmortgaged taxes, a certain portion of the revenue of private people is only turned away from maintaining one species of unproductive labour, towards maintaining another. Public expence defrayed in this manner, hinders the accumulation of new capital; but it does not necessarily occasion the destruction of any
actually

* It is not improbable, but that the present war will **DOUBLE** the National debt. It is *now* (June, 1797) about 400 millions!, Ed.

actually existing capital, which is always the case when the public expence is defrayed by *funding*. If the method of funding destroys more *old* capital, it at the same time hinders less the accumulation of *new* capital, than that of defraying the expence by a revenue raised within the year. This advantage can only exist during the continuance of a war. Were the expences of a war, to be defrayed by a revenue raised within the year, the taxes from which that extraordinary revenue was drawn would last no longer than the war. The ability of people to accumulate, though less during the war would have been greater during the peace, than under the system of funding. Wars would be more speedily concluded, and less wantonly undertaken. When funding, besides, has made a *certain progress*, the multiplication of taxes impairs as much the ability of private persons to accumulate in time of peace, as the other system does in time of war. In the payment of the interest of the public debt, it has been said, it is the right hand which pays the left. This apology is founded on the sophistry of the mercantile system:—it supposes, besides, that the whole debt is owing to the inhabitants of the country, which is not true; but if it were, it would not, on that account, be less pernicious. P. 424—9.

Land and capital stock are the two original sources of all revenue, both private and public. Capital stock pays the wages of productive labour, whether employed in agriculture, manufactures, or commerce. The management of those sources of revenue belongs to two different sets of people, the proprietors of land, and the employers of capital stock. The proprietor of land is interested, for the sake of his own revenue, to keep his estate by buildings, drains, enclosures, &c. in as good condition as he can. But by different land-taxes, his revenue may be so diminished, and by different duties upon the necessaries and conveniences of life, *that* diminished revenue may be rendered of so little real value,
that

that he may find it impossible to maintain those expensive improvements. As the distress of the landlord increases, the agriculture of the country must decline. When, by taxes upon the necessities and conveniences of life, the owners of capital stock find, that whatever revenue they derive from it will not, in a particular country, purchase the same quantity of those necessities and conveniences, which an equal revenue would in almost any other, they will be disposed to remove to some other: and when, in order to raise these taxes, the greater part of merchants and manufacturers are exposed to the vexatious visits of tax-gatherers, this disposition to remove, will soon be changed into an actual removal. The industry of the country will fall with the removal of the capital that supported it, and the ruin of trade and manufactures will follow the declension of agriculture. To transfer from the owners of those two great sources of revenue, to the public creditors, the greater part of the revenue arising from either, must occasion in the long run, the neglect of the land, and the waste or removal of capital stock. The practice of funding has gradually enfeebled every state which has adopted it;—the Italian republics, Spain, France, and the United provinces all bear witness to this truth. Is it likely that in Great Britain alone, a practice which has brought desolation into every other country, should prove altogether innocent?*

P. 429—33.

When national debts have once been accumulated to a certain degree, there is scarce an instance of their having been *fairly* and completely paid. The liberation of the public revenue has always been brought about by a bankruptcy; sometimes by an avowed one, but always a real one, though frequently by a *pretended* payment. The *raising* of the denomination of the coin has

* The melancholy experience of a few more months will probably decide this question. Ed.

has been the most usual expedient by which a real public bankruptcy has been disguised under the appearance of a pretended payment. When it becomes necessary for a state to declare itself bankrupt, a fair, open, and avowed bankruptcy is always least dishonourable to the debtor, and least hurtful to the creditor. Almost all states, when reduced to this necessity, have played this juggling trick. The Romans, at the end of the first Punic war, raised the denomination of their coin from *two to twelve*. In this manner they were enabled to pay their debts with the *sixth* part of what they owed; and it does not appear to have occasioned a very violent clamour. In the course of the second Punic war, the denomination of the coin was raised so high, that they were enabled to pay their debts with one twenty-fourth part of their real value. In this way indeed 400 millions might be paid with somewhat more than 16½ millions. By means of such expedients, the coin of all nations has been gradually reduced more and more below its original value, and the same nominal sum has been gradually brought to contain a smaller and smaller quantity of silver. P. 434—8.

Nations have sometimes, for the same purpose, adulterated the standard of their coin; this has the same effect with what the French call an *augmentation*, or a direct raising of the denomination of the coin. An augmentation is always an *open* and avowed operation; but the adulteration of the standard has generally been a *concealed* operation. Both are unjust, but the latter, when discovered, has always excited much greater indignation than the former. P. 438—9.

It is evident that the public revenue of Great Britain can never be liberated, without either some considerable augmentation of the public revenue; or some equally considerable reduction of the public expence. A more equal land tax; a more equal tax upon the

of houses; and such alterations in the present system of customs and excise as those which have been mentioned in the foregoing chapter, might, perhaps, without increasing the burden of the greater part of the people, produce a considerable, though not sufficient, augmentation of revenue. By extending the British system of taxation to *all* the provinces of the empire, a greater augmentation of revenue might be expected.*

* In this part of the plan for discharging the national debt, Dr. SMITH depends much on the productiveness of taxation as applied to Ireland, and more particularly to the American colonies. The present melancholy situation of Ireland must render it extremely doubtful how far such a plan can ever, as it respects that country, be made beneficial to the revenue of Great Britain. But we know that America, the grand and principal resource is *now* entirely and for ever out of the question. The remainder of the volume, therefore, being inapplicable to the present state of the case, it would be altogether fruitless to attempt any abridgement of it. Ed.



